TD/B/1277 (Vol. II)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

TRADE AND DEVELOPMENT BOARD

Thirty-seventh session
First part
(1-12 and 17 October 1990)

OFFICIAL RECORDS
Supplement No. 1A (Part I)

Report

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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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For the recommendations, resolutions, declarations and decisions adopted by the United Nations Conference on Trade and Development, see:

First session: *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No. 64.II.B.11), pp. 18-65;

Second session: *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I and Corr.1 and 3 and Add.1 and 2, *Report and Annexes* (United Nations publication, Sales No. E.68.II.D.14), annex I, A, pp. 28-58;

Third session: *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.73.II.D.4), annex I, A, pp. 53-114;

Fourth session: *Proceedings of the United Nations Conference on Trade and Development, Fourth Session*, vol. I and Corr.1, *Report and Annexes* (United Nations publication, Sales No. E.76.II.D.10), part one, sect. A, pp. 6-43;

Fifth session: *Proceedings of the United Nations Conference on Trade and Development, Fifth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.79.II.D.14), part one, sect. A, pp. 6-50;

Sixth session: *Proceedings of the United Nations Conference on Trade and Development, Sixth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.83.II.D.6), part one, sect. A, pp. 6-40;

Seventh session: *Proceedings of the United Nations Conference on Trade and Development, Seventh Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.88.II.D.1), part one, sect. A, pp. 6-27.

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INTRODUCTION

1. In his opening statement, Mr. Oscar de Rojas (Venezuela), outgoing President, observed that the atmosphere of the current General Assembly in New York was stimulating; some considered the present time to be the most auspicious since the foundation of the United Nations. This had come about since the countries of the world, in particular the most powerful, found themselves united for political reasons - the changes in Eastern Europe, the relaxation of East-West tension, and the crisis in the Persian Gulf. Yet the important element was the feeling that mankind united could achieve great things if the United Nations functioned as it should.

2. Why not take advantage of this renewed spirit of international co-operation and support for the United Nations to stimulate economic co-operation and the North-South dialogue?

3. Many countries, including in the North, were now disposed to do so for there was a growing awareness that the worsened problems of the South were common to both North and South in an ever more interdependent world. UNCTAD VIII would afford an opportunity to invoke this new-found spirit of co-operation in the search for a new world order. The need to cater for the legitimate concerns of the developing countries required urgent attention. The Uruguay Round was in its critical final phase and the question of institutions to implement its outcome would have to be dealt with. The time had come to consider establishing an International Trade Organization which, together with the agencies responsible for money and finance, would embody the economic dimension of the United Nations system and ensure that the work of the Organization as a whole was more effective.

4. The incoming President, Mr. Jean-David Levitte (France) said that the Board was meeting at an important time of both hope, as reflected in the imminent unification of Germany, and uncertainty, as reflected in the serious threat to peace that currently existed. The theme of interdependence was thus even more relevant than ever before, and the Board must work towards the common good in a spirit of good will, particularly in the areas of finance and debt. It must try to adopt substantive texts on the basis of consensus in order to send a clear message to Governments and the international community.

5. With regard to UNCTAD VIII, it was important to build on the progress achieved at UNCTAD VII in terms of giving UNCTAD new life and revitalizing the North-South dialogue on a pragmatic and constructive basis. Time was short, and the Board should therefore set out, by the end of its session, to adopt the agenda for the Conference and to decide on its venue and dates.

6. There was general agreement that the Second United Nations Conference on the LDCs had been a success. If the same constructive, realistic and innovative spirit continued to prevail in the Board, UNCTAD would be able to carry out its role of formulating clear and pragmatic global development strategies. North and South were partners, and shared development should be the theme of the new world that was now taking shape.

7. In his opening address, the Secretary-General of UNCTAD observed that the current session could take encouragement from the political boost given to UNCTAD by the successful outcome of the Second United Nations Conference on the Least Developed Countries, which represented a remarkably constructive consensus between the least developed countries and their development

partners. The broader UNCTAD membership should apply relevant elements of the Programme of Action to advancing the work of UNCTAD on all fronts and strengthening support for the development efforts of developing countries.

8. The Programme of Action dealt with a number of aspects of national policies relating to adjustment and development, as well as to non-economic objectives such as human rights, the rule of law, democracy and popular participation, stressing that each country was free to choose its own path towards them. In his view, economic growth in the least developed countries was indispensable to the attainment of the other objectives of the Programme; moreover, national policies would not succeed without external support. Good governance was necessary both nationally and internationally.

9. Recent events in the Middle East brought out the vulnerability of long-term development efforts to unforeseeable shocks; this was an extreme example of the uncertainty pervading the world economy. Even before those events the pace of activity in the world economy had decelerated markedly. The near-term prospects pointed to activity settling down at rates distinctly below those achieved in 1987-1988, with only some economies in Asia and in the European Community likely to resist the trend. The consequences of the single European market, the transformation of Eastern European Economies and the Uruguay Round were uncertain.

10. The secretariat's preliminary views on the economic consequences of the Middle East crisis (TD/B/1272) were derived from the abnormality of the present situation in oil markets, created by uncertainty and ensuing speculation; policy responses should seek to redress this abnormality rather than adjust to it as a structural change. Compensation for developing countries hit by oil price rises should be on concessional terms, additional to existing resources and not tied to adjustment programmes. The psychology of oil markets should be shaped by bringing into play the strategic petroleum reserves held by members of the International Energy Agency (IEA) to counter speculation and dampen the demand for stocks. These issues relating to oil markets were best dealt with in a producer-consumer agreement or, in any case, in a fully representative international body.

11. Reviewing the Trade and Development Report, 1990, he observed that the exchange rate volatility and high interest rates, which had impaired the health of the world economy, arose from the globalization of finance and the ascendancy of finance over industry, trade and investment. Portfolio decisions by rentiers bulked over business decisions by entrepreneurs. To remedy instability and reduce uncertainty to more tolerable levels required actions across a broad front, including effective exchange rate co-ordination among the major currencies, strengthened and symmetrical policy surveillance, fiscal discouragement of speculation, and tightening of prudential regulations.

12. The debt problem had been exacerbated by the current Gulf crisis. The scale of debt and debt-service reduction by banks needed to be enlarged very considerably. Increased financial support from the World Bank and the regional development banks should be based on additional funds, rather than at the expense of lending for new investment. On official bilateral debt, there had recently been encouraging developments with respect to debt relief for heavily indebted lower middle-income countries and for low-income countries. These needed to be carried forward urgently through consideration and action in the Paris Club.

13. In the field of international trade, the outcome of the struggle between open trade and protectionism remained uncertain. The situation had been aggravated by anxieties generated by moves towards the formation of powerful trading blocs. The imminent conclusion of the Uruguay Round should impart greater openness and predictability to the international trading system and forestall possible trends towards fragmentation by firmly anchoring regional trading arrangements within the system. The Round could make a lasting contribution to improved international co-operation if its results enhanced discipline and ruled out discrimination in international trade, removing the fear of retaliation against success in penetrating new markets. This, together with the continuing need to accord special and differential treatment to developing countries in support of their national development efforts, should be the political bottom line of the Round.

14. Pending a new breakthrough in producer-consumer collaboration to improve the functioning of commodity markets, it might be expected that producers of commodities in excess supply would tend to act together to manage that supply and maintain production at levels which corresponded to demand. He noted that commodity issues would be addressed by the current General Assembly, inter alia, in the light of a report by the Secretary-General of the United Nations and of the report by the Group of Experts on African Commodity Problems, chaired by the Rt. Hon. Malcolm Fraser.

15. Long-term uncertainties also existed regarding the security of the planet's ecological base, which required wise management and measures to temper the negative effects of wealth and poverty. The search for sustainable development was a vast and promising field for national and international endeavour, in which a determined attack on poverty must be central. As a result of the current Board session, sustainable development should become an integrated feature of selected areas of UNCTAD's work. UNCTAD would collaborate actively in the preparations for UNCED.

16. A fast-changing world brought out more sharply the need for strong institutions and legal frameworks, towards which the United Nations sought to build. The recent report of the South Commission set forth a vision of a rational and development-oriented international system involving the full participation of the developing world. It was to be hoped that the rising prestige of the United Nations in exercising its political mandate would lead to the full realization of its economic and social role, including that of ensuring international policy coherence in the interrelated areas of money, finance and trade.

17. The spokesman for the Group of 77 (Senegal) said that the current session of the Board stood at the crossroads of past and impending events of great moment. Despite his Group's concern and frustration at the growing marginalization of the developing countries by the end of the 1980s, its hopes had been raised by the changing international climate - notably in Eastern Europe - and by the adoption of the Declaration on International Economic Co-operation at the eighteenth special session of the General Assembly (May 1990). Of course, the wide range of measures put forward in that Declaration would be useful only to the extent that they were implemented at both the national and international levels. In this, the Board could and should make its contribution.

18. Yet another major event had been the publication of the report of the South Commission entitled The Challenge to the South. He stated that the central message of the report, produced by eminent personalities of the South after three years of hard work, was that the South should strengthen the basis for its development at the national and collective levels. The report also addressed issues before UNCTAD and other relevant international bodies. Having described the main qualities and thrust of the report, he said that it should stimulate thinking and prompt the international community to respond more purposefully to the urgent needs of the developing countries. The report should therefore receive full attention in the deliberations and activities of UNCTAD. He cautioned against the temptation to lift out of context specific diagnoses and recommendations, thereby overlooking the overall analysis and other recommendations which together made up an integrated strategy for dealing with issues and challenges facing the South.

19. Turning to the UNCTAD Trade and Development Report, 1990 (UNCTAD/TDR/10), he observed that the report painted an alarming picture of a further deceleration in the developing-countries' output growth, in contrast to a 2 per cent growth in per capita output in the developed countries. Income and wealth differentials between these two groups of countries had thus continued to widen. In many developing countries, the need to transfer further resources abroad could only be met by keeping imports extremely low, at the cost of slow growth and inadequate investment. In these circumstances the prospects for growth were very bleak. Policy-makers in the developing countries faced a dilemma: improving the domestic investment climate and encouraging the return of flight capital implied increasing the incentives for the upper-income groups; yet the need for a social consensus to underpin stabilization efforts meant that attention had to be paid to other social groups. One reason for the poor growth performance in the developing countries had been their lack of access to international credit. In 1989, developing countries had repaid more in old debt to commercial banks than they had received in new loans. A much larger scale of debt or debt-service reduction was needed than had been envisaged in the Brady initiative. Similarly, with regard to official debt, the limitations of the Toronto terms were widely recognized, and it was vital that the new proposals made at recent meetings in Washington should gain general acceptance. The Report's insistence on the need for a strengthened system of international policy co-ordination was supported by the instability and uncertainty in the world economy. Such a system should ensure multilateral surveillance of policies in the major developed market economies and a more stable pattern of exchange rates among the reserve currencies. Moreover, the role of IMF in this process should be strengthened.

20. He said that recent events in the Middle East would have serious policy implications, particularly for oil-importing developing countries. Even the current oil price of $US 30 per barrel would increase the annual import bill of oil-importing developing countries by some $US 26 billion - an amount equal to roughly 10 to 15 per cent of their export earnings, after interest payment on external debt.

21. Expressing his Group's concern at the slow progress in the preparations for UNCTAD VIII, he observed that UNCTAD VIII would be a unique opportunity to agree on policies and measures to accelerate the development of the developing countries and hence to ensure a secure and equitable world economy and to enhance UNCTAD's role in this crucial decade.

22. Referring to the Uruguay Round of Multilateral Trade Negotiations he expressed his Group's hope for a balanced outcome of the Negotiations.

23. At its current session, the Board would also be discussing sustainable development in the light of its environmental dimension. Within its mandate, the Board would be able to follow up the resolutions on this issue adopted by the General Assembly and the Economic and Social Council. In order to make its full contribution to the United Nations Conference on Environment and Development, the Group of 77 in Geneva had established a "Group of 15 on Environment and Development" for the purpose of in-depth analysis and policy recommendations.

24. Turning to the UN-PAAERD, he said that it was generally acknowledged - including by the World Bank and IMF - that most of the African Governments had undertaken large-scale economic reforms and structural adjustments. However, the external economic environment had not helped to sustain their efforts. He cited in particular low commodity prices, increasing debt service, and stagnating or declining external assistance. He therefore urged the Board to give serious consideration to the secretariat note (TD/B/1265) and to seek to lay a good basis for UNCTAD's input in the final assessment of the Programme, when this issue was considered at the second part of the thirty-seventh session. In this connection, he hoped that the Board's discussion of this item would take full account of the views and recommendations set forth in the report of the United Nations Secretary-General's Expert Group on Africa's Commodity Problems (Africa's Commodity Problems: Towards a Solution).

25. The representative of Hungary stated that his Government had decided that henceforth Hungary would not take part in the activities of Group D in UNCTAD. Hungarian representatives at sessions of the Board as well as any other UNCTAD meetings would act independently, outside the framework of Group D. Views to be expressed in UNCTAD in the name of or in relation to Group D should therefore not be considered as reflecting or prejudging the position of Hungary in any way.

26. He emphasized that this decision did not prejudge the country lists included in the annex to General Assembly resolution 1995 (XIX), as amended. Consequently, due account should also be taken in future of the need to ensure equitable geographic distribution in UNCTAD, in line with the relevant rules of procedure.

27. He confirmed that the Hungarian Government continued to attach great significance to UNCTAD in the system of international economic relations and to the special role it had in seeking solutions to the problems of trade and development. Aware of the importance of an efficient intergovernmental machinery for all member States, Hungary wished to participate to the full, in the future also, in the work of all bodies of UNCTAD and in all phases of the decision-making process. To that end the Hungarian Government was willing to co-operate and associate itself with other member States, or groups of member States, with respect of specific issues, on the basis of concordant interests and positions.

28. The representative of Poland, said that his country's strong will to transform from an authoritarian, centrally commanded country to a democracy and a market economy had given birth to the economic programme being implemented from the beginning of 1990. The changes introduced aimed at

establishment of a full-fledged market mechanism and institutions, ownership transformations, demonopolization and deregulation of the economy, the reform of fiscal and banking systems and introduction of internal convertibility of the Polish zloty. In this context, he disagreed strongly with several statements in the Trade and Development Report, 1990. He stressed first that Poland did not consider that the old system of central planning was simply not sufficiently supportive of the smooth functioning of the economy but deemed it totally inefficient and incapable of stimulating economic and social progress. Second, the end result or objective of the transformation process was not to be put in doubt. Poland was fully committed to a free market economy based upon the expansion of the private ownership. Third, the country was striving to make the transformation as quick as possible, with principal changes already in operation. Fourth, Poland did intend to convert public-owned enterprises into private ones on a large scale. He hoped that future editions of the Trade and Development Report, as well as other documents being prepared by the secretariat, would more accurately reflect the true nature of the change that was taking place in Poland and that factual errors would be eliminated. Poland could co-operate in this effort. He added that in this context, and especially in view of paramount changes that were taking place in Poland, his delegation did not feel it possible at present to participate in Group D except for procedural and organizational purposes.

29. His Government had done much to remove the remaining obstacles to Poland's integration into the world economy. Since the beginning of 1990 the Polish foreign trade system had been radically liberalized and a favourable foreign investments régime had been established, whose further liberalization was envisaged very soon.

30. Reviewing current economic trends in Poland, he said that the goals of the stabilization part of the economic programme had been largely achieved and important measures had been taken to achieve a far-reaching transformation of the economic system. Poland expected a moderate recovery in investment and output in the last months of 1990, and the first encouraging signs of the reversal of the recessionary trend were already discernible.

31. These hopes, however, were overshadowed and might be completely frustrated by certain occurrences, first being the consequences of the Persian Gulf conflict. The economic cost to Poland resulting from the application of sanctions to Iraq in support of Security Council resolution 661 should be considered in the context of the country's dramatic economic and social situation and the extensive programme of radical reforms underway for almost a year. General losses were estimated at $2.4 billion and might increase in the future. Although the impact of the crisis was not borne by Poland alone, he hoped that the international community would show understanding for the particularly unfavourable situation in which Poland had found itself for reasons beyond its control as a result of the conflict.

32. Furthermore, many Polish enterprises would have to face painful readjustment and loss of markets following the changes in Eastern Europe. All this might indeed jeopardize the unique transformation experiment by which Poland intended to merge into the world economy. The strength of the convertible balance of payments in 1990 was wholly exceptional and unlikely to recur. The basic arguments of the Memorandum on Polish Foreign Debt of 6 May 1990 retained their importance. Imaginative debt reduction schemes designed to avoid further polarization between creditors and debtors and to reintegrate debtors to the world economy and trade were called for.

33. Issues relating to the developing countries, likewise affected by the aftermath of the Persian Gulf crisis, should remain the prime concern of the Organization. However, his delegation believed that Poland's legitimate preoccupations should be taken into consideration in UNCTAD as an assembly aiming at improvement of international economic co-operation in an interdependent world.

Statement by the President on the independence of Namibia the unification of Germany and the reunification of Yemen

34. At the 775th meeting, on 3 October 1990, the President, speaking on behalf of all members of the Board, said that 1990 would remain in history as the year in which three peoples - in Africa, the Middle East and Europe - had accomplished their national destiny. All three had decided their future peacefully and democratically.

35. On 21 March 1990, after a long struggle and with the unfailing support of the international community, the people of Namibia had finally obtained their independence and had courageously embarked upon the construction of a pluralistic society.

36. The people of Yemen, heirs of a long and brilliant history, had undergone, without resigning themselves to it, a separation born of the colonial period and aggravated by the East-West conflict. The popular will and enlightened leadership had led to the unification of all the people of Yemen in a single State on 22 January 1990.

37. The German people were celebrating their unification and all shared their joy as they looked to the future. That future was the future of all peoples, and first that of the peoples of Europe. Overcoming the painful division of their continent, the countries of Europe were henceforth working for the return of geographical Europe to the world stage. In this communal endeavour, in which Germany had now regained its full place, the European Community, engaged in an unprecedented undertaking, was progressively affirming its identity and its unity. October 3 was a joyful day for 12 peoples which had linked their destinies of their own free will.

38. The representative of Germany said that Europe and the German people had been divided for 45 years, but today the German people was uniting in peace and freedom. It was therefore a day of joy, but also a day for reflection, and the German people, aware of its responsibilities, had not forgotten the victims of the Second World War and the régime of terror. Henceforth, the German people would live in a single democratic State based on respect for human rights and determined to contribute to world peace. It had no territorial claims vis-à-vis other States, and would in particular confirm the existing border with Poland in a treaty. Such changes would give Europe an opportunity to overcome its differences.

39. A united and sovereign Germany would actively pursue its policies in the United Nations in general and in UNCTAD in particular. Transforming the economy of the former German Democratic Republic and providing support for reform in Central and Eastern Europe represented huge tasks, but Germany would not lose sight of its responsibilities towards the international community as a whole. In particular, German unity would not be to the detriment of the

third world, and the German Government would be more committed than ever to the struggle against poverty, underdevelopment and destruction of the environment.

40. The representative of Yemen thanked the President for his kind words about Yemen and Yemen's reunification. He greeted the German unification with deep emotion, and stated that 3 October belonged to the German nation - whose ingenuity had contributed so much to humanity - just as 14 July belonged to the French nation. For, after 45 years of division, tenacious efforts, toil and sacrifices, God had willed that that nation be unified and decide its own destiny. If the Arabian Bird - the symbol of creativity, renewal and the everlasting - could choose one single nation to symbolize, it would have been proud to symbolize the German nation. He observed that teeming millions in other nations still torn asunder cherished the dream of experiencing a moment such as that when the German anthem was played - mixed with the shouts of joy and the singing of the last movement of Beethoven's choral symphony and the sounds of the bells of the churches of Berlin. Other torn nations still yearned for reunification. He predicted that the Arab nation would one day, by the will of God, experience such a moment. For it was destined that from its flames and ashes the phoenix should be born again.

41. The representative of Italy, speaking on behalf of the European Community and its member States, observed that Germany had regained its unity, thus ending an anomalous situation which had been for so many years the most visible sign of Europe's division, the legacy of a long-past war. A people that had so enriched the common civilization was recovering its rightful place in Europe and in the world. It was finally witnessing the fulfilment of a yearning unswervingly supported by the Community and its member States, which accordingly shared all the more the German people's joy at this event.

42. This historic change had happened peacefully and democratically, in full compliance with the principles of the Helsinki Final Act. The Community and its member States paid tribute to the steadfastness of the German people, which had through difficult years nurtured its desire for freedom and democracy now fulfilled, and to the wisdom of the Governments and the statesmen who had made it possible.

43. The restoration of German unity heralded a new age for Germany and all of Europe. It was a milestone along the road to the construction of a new framework for co-operation and stability in Europe, actively involving both sides of the Atlantic. The unification of Germany was occurring on the eve of major decisions which would mark the road that lay ahead for the European Community. Since the beginning, the Federal Republic of Germany had made an outstanding contribution to European integration. A united Germany would continue to be a powerful factor for cohesion, which would help Europe along the path towards political union and to achieving an even more influential role on the international scene.

44. Germany's regained unity facilitated the task of the Community and its member States in consolidating, through the CSCE process and on the basis of the shared values of freedom and democracy, the climate of trust and friendly co-operation now extending throughout Europe. It would make all the sounder the framework for peace and security, solidarity, progress and democracy which was on the point of being achieved in accordance with the aspirations of all peoples of Europe.

45. The European Community and its member States welcomed the new citizens of the Community and expressed their warmest wishes to the German people and its Government for a shared future of peace and prosperity.

46. He congratulated Namibia on joining the community of nations after its dramatic struggle for independence.

47. He further congratulated the Government and people of Yemen on the occasion of the formation of the Republic of Yemen.

48. The spokesman for the Group of 77 (Senegal) welcomed the unification of Germany as a historic achievement on the road to European integration and stability. Germany was assuming its destiny in opting for the rule of law, political pluralism and respect for human dignity.

49. He recalled that Mr. Genscher, the German Foreign Minister, had stated in Moscow on 12 September that Germany would assume its responsibilities in face of the major challenges of the present time, namely, the preservation of peace, the economic development of the third world, the achievement of social justice and the protection of the natural basis of life. The event marked a promising stage in the construction of European unity and for international co-operation in promoting development and peace.

50. The Group of 77 had celebrated the reunification of Yemen and he welcomed the Yemeni delegation to the Board.

51. He expressed the pride which his Group felt in welcoming the representative of independent Namibia who was taking part in the Board's work for the first time. He wished Namibia success in the construction of the free, peaceful and prosperous country which was its aim.

52. The representative of the Union of Soviet Socialist Republics congratulated the German people on its unification, which would undoubtedly open up a new page in the history of Germany itself and Europe as a whole. National economies were now closely interlinked, and it was no accident that the questions of economic interdependence and stability were assuming increasing importance in UNCTAD. In that connnection, he was sure that a unified Germany would make an appropriate contribution to efforts to strengthen and improve international economic relations, in particular within the framework of UNCTAD.

53. The representative of Poland said that his country welcomed the unification of Germany and was proud that it was Poland that had initiated the democratic and peaceful process of sweeping transformations and reforms in Central and Eastern Europe, which had made the unification of Germany possible. Polish leaders had continuously declared that the definitive overcoming of divisions of Europe, the dramatic legacy of Yalta, could not be made a reality without the unification of Germany. Poland had always regarded unification of the two German States as an integral part of the process of unification of Europe. In German unity, Poland wished to see an important stabilizing factor in Europe and the European security system. Poland believed that in Germany as in Poland there was a political will to conclude at the next stage a wide-ranging treaty on neighbourhood, creating a stable foundation for developing the community of interests of the two States. A

fundamental starting point for such a treaty was the joint declaration of Poland's Prime Minister Mr. T. Mazowiecki and Germany's Chancellor Mr. H. Kohl of 14 November 1989. The Polish-German community of interests was an indispensable element in the construction of a single Europe. In this context, his delegation welcomed the statement just made by the representative of Germany.

54. Economically, German unification meant for Poland it was henceforth the neighbour of one of the strongest economies of the world and the world's leading trade partner.

55. Unified Germany had become Poland's first trade partner and Poland hoped that unification would not negatively influence its economic and trade relations with Germany and with other partners, especially those in the European Community. Poland was deeply convinced that its legitimate interests would be duly taken into account by appropriate German authorities.

56. The representative of China warmly congratulated the German delegation and the German people on the unification of the two German States. China had always understood, sympathized with, and supported the aspiration of the German people for unification and welcomed the peaceful realization of this objective. He believed a unified Germany would be beneficial to peace, stability and economic development in Europe and the world. In the past, China had enjoyed good relations with both German States. It was prepared to further develop the existing friendship on the basis of the five principles of peaceful co-existence.

57. He also warmly congratulated Yemen on the unification of the two States, which he hoped would contribute to the successful economic development of the country.

58. He, too, welcomed the fact that a Namibian delegation was present in the Board for the first time.

59. The representative of Hungary, speaking as a representative of a country that had actively contributed in the achievement of the aspirations of the German people, warmly congratulated Germany on its unification. He hoped that German unification would greatly enhance global progress and development. Hungary was convinced that German unity would also contribute to strengthening the process of European integration and would favourably influence the world economy.

60. The representative of Namibia, expressing gratitude to previous speakers, said that the question of the decolonization and independence of Namibia had been on the agenda of the United Nations since its foundation. Many countries had participated in the efforts to achieve this independence pursuant to Security Council resolution 435/78. Yet her delegation wished to record the fact that Namibian independence would not be complete until Walvis Bay was reintegrated into Namibian territory. She hoped that the international community would support Namibia's case for such reintegration in accordance with resolution 435/78.

61. Welcoming Germany's unification, she noted that 25,000 of Namibia's population were of German origin.

Part One

RESOLUTIONS AND DECISIONS ADOPTED BY THE TRADE AND DEVELOPMENT BOARD AT THE FIRST PART OF ITS THIRTY-SEVENTH SESSION 1/

A. Resolutions

387 (XXXVII) Interdependence of problems of trade, development finance and the international monetary system

388 (XXXVII) Debt and development problems of developing countries

B. Decisions

384 (XXXVII) UNCTAD's contribution, within its mandate, to sustainable development (Board decision 370 (XXXV))

385 (XXXVII) Economic co-operation among developing countries

386 (XXXVII) Review of the calendar of meetings

A. Resolutions

387 (XXXVII) Interdependence of problems of trade, development finance and the international monetary system 2/

The Trade and Development Board,

Taking into account the Declaration adopted at the eighteenth special session of the United Nations General Assembly on international economic co-operation,

Taking also into account the Declaration adopted on the occasion of the twenty-fifth anniversary of UNCTAD in Board resolution 376 (XXXVI),

Recalling Board resolution 374 (XXXVI) of 13 October 1989,

Taking into consideration the debate on the interdependence of problems of trade, finance and the monetary system at the first part of its thirty-seventh session,

Taking into consideration the prevailing international economic situation,

Adopts the following recommendations:

1. The Trade and Development Board, aware that one of the key elements for the success of economic policies is the determination to adapt, invites all countries to pursue effective and efficient structural adjustment efforts, in accordance with their priorities, objectives, capacities, specific conditions and needs, making use of market signals as appropriate. Poverty alleviation, equitable burden sharing, participatory development and democratization based on respect of national sovereignty are important conditions and objectives of development. The acceleration of changes in the international situation makes it more necessary than ever to adjust to the new situation.

2. The present opportunity to restore a long-term approach to development and move beyond short-term adjustment must be seized. Actions should take into account the responsibility of each country for its own development and should be in accordance with its capacity and its impact on the international economy.

3. The Board invites Governments and competent international institutions to support the development efforts of the developing countries by additional resources and to continue to address the debt problem, taking into account resolution 388 (XXXVII) on debt adopted by the Board at the current session. The Board underlines that the international community should support adjustment policies in developing countries in the spirit of reinforced partnership. It invites industrialized countries to do their utmost to contribute to the necessary actions in accordance with their capacities and their economic power. It invites the international financial institutions to further enhance their aid to developing countries and improve its quality.

4. The Board, underlining the particular importance in the present context of a successful outcome of the Uruguay Round, appeals to all Governments engaged in the Multilateral Trade Negotiations to reaffirm their determination

to achieve balanced results, opening the way to increased liberalization and sustained growth in world trade for the benefit of all countries and specially developing countries.

5. The Board, being aware that one of the important factors in the international economic situation resides also in the growing differences in global finance needs and savings levels, which further aggrevate the problem of allocating adequate resources for development, invites all countries to favour, by appropriate policies, an increase in their level of savings so as to release extra financial resources commensurate with investment and development needs. The additional resources thus released should be used in an effective and profitable way to achieve in all countries sustained and sustainable development. All countries should continue to establish conditions favourable to national and foreign investment, the reduction of flight capital and its repatriation.

6. In order to bring about a more favourable international economic environment conducive to development, there is a crucial need for co-operation in a number of important areas, notably: the dialogue on commodities; the reduction of internal and external imbalances; and the stability of the international monetary system through further co-ordination of economic and monetary policies.

781st meeting
17 October 1990

388 (XXXVII) Debt and development problems of developing countries 3/

The Trade and Development Board,

Reaffirming its resolution 375 (XXXVI) of 13 October 1989,

Recalling the Final act of UNCTAD VII, and General Assembly resolution 41/202,

Noting General Assembly resolutions 42/198, 43/198, 44/205 and 44/232,

Concerned that many developing countries, particularly the heavily indebted ones, continue to experience poor growth performance, which is a threat to their economic, social and political stability,

Further concerned by continued insufficient financial resources available to developing countries for development, which in a number of cases have not offset the outflows of resources from developing countries,

Welcoming the recent improvements in the debt strategy and especially:

(a) The wide application of the Toronto terms since 1988;

(b) The application by the Paris Club of new practices in favour of lower middle-income countries since September 1990, which include longer repayment periods as well as, on a voluntary basis, limited debt for nature, debt for aid, debt for equity swaps or other local currency debt swaps;

(c) The efforts made or announced by developed countries, in conformity with Trade and Development Board resolution 165 (S-IX) of 11 March 1978, by cancelling official development assistance debt, or providing equivalent relief;

(d) The recommendations made by the Interim and Development Committees to implement fully and expeditiously the strengthened debt strategy;

(e) The number of debt and debt-service reduction packages already concluded, or in the course of negotiation, between debtor countries and commercial banks;

(f) The proposals made by some Governments, such as those of France, the Netherlands and the United Kingdom, involving further measures to reduce the official debt burden, and efforts by the United States to implement the Enterprise for the Americas Initiative designed to promote investment, growth and debt reduction in Latin America,

Noting with interest the continued analytical efforts carried out by a number of international institutions, and that the Secretary-General of the United Nations has appointed Mr. Bettino Craxi as his Personal Representative on Debt,

Encouraging further progress to be made in the implementation of the debt strategy in order to contribute to the restoration of normal debtor-creditor relations in most heavily indebted countries, external viability, sustained and satisfactory growth, and adjustment efforts of developing countries,

Noting with deep concern the serious adverse impact of the latest crisis on many developing countries, particularly the heavily indebted ones and those most seriously affected,

Recognizing the role of the international financial institutions in dealing with the debt problems of developing countries,

1. Agrees that further action through the international debt strategy is needed to achieve expeditiously durable, equitable and mutually agreed solutions to the problem of indebtedness in each of the countries concerned, with a view to promoting the revival of growth and sustained development in developing countries. This will require, inter alia:

(a) Intensified efforts by industrial countries, within the framework of international co-operation, to bring about a more favourable international economic environment conducive to non-inflationary growth and development by adopting an appropriate mix of fiscal and monetary policies conducive to a decline in interest rates; by promoting the stability of exchange markets; by facilitating adequate financing of adjustment programmes; by encouraging the flow of foreign direct investment and other non-debt creating flows to developing countries; and by contributing, with all trading partners, to a timely and successful outcome of the Uruguay Round of multilateral trade negotiations that would result in the liberalization and expansion of world trade to the benefit of all countries, especially developing countries;

(b) The strengthening by debtor countries of their growth-oriented adjustment policies including sound macro-economic and structural policies,

measures to consolidate national savings, attract foreign direct investment and other non-debt-creating flows, and reverse capital flight, taking into account their priorities and the needs of the most vulnerable groups;

(c) Intensified efforts to review the terms of official debt reschedulings in order to bring debt-service obligations in line with what heavily indebted countries can be expected to pay according to their capacity,

- without jeopardizing their adjustment efforts, their economic growth and the satisfaction of basic social needs,

- through urgent consideration of the various proposals recently put forward by a number of creditor Governments concerning the reduction of official bilateral debt and debt service owed by low-income countries,

- through, inter alia, consideration of options by creditor countries to lighten the debt burden of middle-income countries with significant official debt;

(d) Faster and more effective implementation of the strengthened debt strategy designed, inter alia, to extend, on an appropriate scale, to additional eligible countries the reduction of debt and debt service owed to commercial banks, with financial support from official sources, where appropriate. In this regard, multilateral institutions and creditor Governments are invited to continue to review intensively those aspects of their operating guidelines, and fiscal and regulatory provisions, that have a bearing on debt and debt-service reduction, to ensure that they facilitate this process;

(e) Careful consideration of measures by multilateral financial institutions, development funds and donor countries to alleviate the burden of multilateral debt owed by the least developed countries, as recommended by the Second United Nations Conference on the Least Developed Countries in Paris;

(f) Adequate financial assistance by donors to developing countries making serious efforts to cope with overdue obligations to multilateral financial institutions, in order to help clear arrears and finance structural adjustment programmes through a co-operative approach;

(g) Due consideration to be given by creditors, through the adoption of appropriate policies, to those developing countries with substantial debt burdens that have not restructured their debt and have remained current in servicing their external obligations, while carrying out sound macro-economic policies;

2. Urges the multilateral financial institutions and the donor countries to take appropriate steps to assist effectively developing countries adversely affected by the latest crisis. In particular, the multilateral financial institutions are invited to respond promptly, flexibly and with expanded resources to the needs of the present situation, and play a catalytic role in mobilizing additional assistance.

781st meeting
17 October 1990

B. Decisions

384 (XXXVII) UNCTAD's contribution, within its mandate, to sustainable development (Board decision 370 (XXXV))

The Trade and Development Board,

Recalling General Assembly resolutions 42/187 and 44/227 and Board decision 370 (XXXV),

Recalling also General Assembly resolution 44/228 on a United Nations Conference on Environment and Development (UNCED),

Considering that an integrated perspective of both environment and development is crucial to all countries to make headway in efforts to achieve sustainable development and to tackle the root causes of poverty and environmental degradation,

Reconfirming that sustainable development does not constitute a new form of conditionality in development assistance and financing,

Taking note of the report by the UNCTAD secretariat, "Sustainable development and UNCTAD activities" (TD/B/1267),

1. Decides that the objective of sustainable development, particularly the reduction of poverty, should be incorporated into all areas of UNCTAD's work at the intergovernmental level, and that the respective committees at their forthcoming sessions should consider activities in relation to sustainable development in the context of their work programme in the light of this decision;

2. Invites the Secretary-General of UNCTAD to ensure that the concept of sustainable development be systematically integrated in the ongoing work of the secretariat, in particular in the areas of trade, commodities, technology and finance for development;

3. Further invites the Secretary-General of UNCTAD to ensure that sustainable development is adequately reflected in UNCTAD's analytical work, and that this work contributes to the elaboration of innovative thinking and increased awareness in the area of environmental development economics;

4. Encourages continued co-operation between the secretariats of UNCED and UNCTAD to contribute to the preparations for the United Nations Conference on Environment and Development in 1992, concerning the issues within the scope of that Conference which also fall within UNCTAD's mandate, inter alia, through the preparation in UNCTAD for the eighth session of the United Nations Conference on Trade and Development;

5. Requests the Secretary-General of UNCTAD, taking into account studies undertaken in other appropriate forums, to prepare an analysis, if possible for the first part of the thirty-eighth session of the Trade and Development Board, of the issue of sustainable development, in particular the reduction of poverty and its interface with policies and mechanisms in environmentally sensitive sectors, such as agriculture, energy, industry and transport, as well as with relevant structural policies such as those relating to the enterprise sector;

6. Requests the Secretary-General of UNCTAD, in connection with the efforts to promote dialogue within UNCTAD on the interlinkages between environmental and trade policies, to adjust the UNCTAD Trade Control Measures Information System to monitor environmental regulations for possible protectionism and to monitor non-tariff measures which have a bearing on the environment;

7. Reconfirms the need for UNCTAD to conduct the activities outlined above within overall existing resources, without having a negative effect on other ongoing priority programmes. At the same time, the Secretary-General of UNCTAD may examine ways in which additional voluntary extrabudgetary resources could be used effectively to implement the objectives of this decision;

8. Reiterates the request contained in the annex to its decision 370 (XXXV) to the Secretary-General of UNCTAD to develop proposals for technical assistance, in co-operation with the United Nations Development Programme (UNDP) and other relevant agencies;

9. Underlines that the activiies referred to above should pay specific attention to the needs of the least developed countries, including, inter alia, small island States among them;

10. Invites international development agencies and donor countries in a position to do so to provide voluntary extrabudgetary resources for the purpose of technical assistance.

780th meeting
12 October 1990

385 (XXXVII) Economic co-operation among developing countries

The Trade and Development Board,

Recalling its resolution 142 (XVI) of 23 October 1976 and Committee on Economic and Co-operation among Developing Countries resolutions 1 (I) of 9 May 1977, 2 (III) of 5 October 1983, 3 (IV) of 29 November 1985, and 4 (V) of 12 June 1989, as well as the relevant provisions of the Final Act adopted by the Conference at its seventh session,

Noting the recommendations on ECDC contained in the report of the South Commission,

Noting further the efforts made by developing countries to promote ECDC in general, expand trade among themselves in particular and to improve their international trade capabilities,

Recognizing that while the primary responsibility for enhancing intra-developing-country trade, and ECDC in general, lies with the developing countries, the support of other members of the international community and a favourble external environment play a significant role in ECDC success,

Bearing in mind the various constraints on expansion of developing-country mutual trade: particularly, limitations of access to markets and to external resources on suitable terms and conditions, the dearth of financial resources that can be spared for trade financing, structural weaknesses of trade-support networks in marketing, distribution, communication and transport,

Reiterating the need for continued effective and practical support by the UNCTAD secretariat to developing countries and their groupings in their efforts to promote ECDC in general and mutual trade in particular,

Calls upon the Secretary-General of UNCTAD to enhance his support to economic co-operation among developing countries by:

(a) Assisting developing countries and their groupings through various forms of technical assistance with the promotion of ECDC in general, TCDC, and the expansion of intra-developing-country trade in particular, including, if requested, advice on the preparation, conduct and evaluation of trade negotiations among developing countries. In this connection, UNDP and other funding institutions are invited to provide financial support to UNCTAD to carry out these projects;

(b) Undertaking, in co-operation with member States, an in-depth study on the main impediments and disincentives which adversely affect the expansion of trade among developing countries. This study should explore those measures and alternatives of relevance with specific recommendations for future consideration in the Trade and Development Board through the Committee on Economic Co-operation among Developing Countries.

780th meeting
12 October 1990

386 (XXXVII) Review of the calendar of meetings 4/

The Trade and Development Board,

Approves the calendar of meetings for the reminder of 1990;

Takes note of the draft calendar of meetings for 1991 and the tentative schedules for 1992 and 1993, on the understanding that these will be finalized in the light of the timing of UNCTAD VIII.

780th meeting
12 October 1990

Part Two

SUMMARY OF PROCEEDINGS

Chapter I

FOLLOW-UP AND REVIEW OF THE IMPLEMENTATION OF THE FINAL ACT OF UNCTAD VII IN ACCORDANCE WITH BOARD DECISION 350 (XXXIV): STOCK-TAKING OF THE IMPLEMENTATION OF THE FINAL ACT OF UNCTAD VII IN PREPARATION FOR UNCTAD VIII

(Agenda item 2)

62. In introducing this item, the President drew attention to the note on "Stock-taking of the implementation of the Final Act of UNCTAD VII" contained in TD/B(XXXVII)/CRP.2 and Add.1.

63. The spokesman for Group B (Germany) stated with satisfaction that, although the situation of many developing countries remained difficult, there had also been impressive economic and political accomplishments in key areas covered by the Final Act of UNCTAD VII. For example, the OECD countries as a whole had experienced a favourable macro-economic performance. There had been progress in various areas of the Uruguay Round, whose successful outcome should take account of the concerns of developing as well as developed countries. There had also been progress in enhancing the flow of resources to developing countries and an increase in official development assistance, although it was recognized that further efforts were necessary concerning both quality and quantity of aid. A strengthened debt strategy aiming at relief of official and private debt was in place and under review. The Common Fund for Commodities had been established; its second window could help improve export competitiveness. Systems for compensating export earnings shortfalls had reduced the vulnerability of commodity-dependent developing countries.

64. He further noted the growing convergence of views on ways to analyse and tackle economic problems, based on the complementarity, recognized in the Final Act, of national policies and the external economic environment. New perspectives, opened up by historical changes in Central and Eastern Europe and the disappearance of East-West confrontation, had been confirmed at the recent Second United Nations Conference on the Least Developed Countries, which had agreed on a strengthened development partnership. Market orientation, participatory development, democracy and human rights, were acknowledged as a basis for sound and lasting development; the importance of minimizing corruption was recognized. This convergence of views applied also to the area of environment, where progress had been made in recognizing the joint responsibility of all countries to address the global threat to mankind.

65. He added that the Gulf crisis was a reminder that problems should be solved peacefully through co-operation and negotiation; that principle also applied to development. At the same time, the consensus among Member States of the United Nations in responding to the crisis had reinforced common values and strengthened the role of the United Nations.

66. The representative of China stated that work carried out by UNCTAD and in other United Nations and intergovernmental bodies had reaffirmed the principles and policy measures contained in the Final Act and had created

a favourable climate for the dialogue on international economic co-operation. There had been a recognition of the common responsibility for the solution of the debt problems of the developing countries. Facts had proved that the international community could take effective action to solve the problems faced by commodities in international markets in the light of Conference resolution 93 (IV) and taking into account the particular characteristics of each commodity. The establishment of the Common Fund for Commodities had created favourable conditions for the effective operation of existing international commodity agreements and the emergence of possible new ones. The UNCTAD secretariat had made an effective contribution to the implementation of the Final Act by providing substantive services and technical assistance.

67. In his view, however, many problems remained unsolved, such as the debt problem; the weakness of commodity prices, which had had a serious adverse effect on the export earnings of developing countries; and the erosion of the international trading system caused inter alia by protectionism, the increase in managed trade, bilateral trade arrangements among developed countries, and unilateral actions taken by the developed countries and the adverse effects on East-South trade caused by the changes taking place in Eastern Europe.

68. Although almost all developing countries had carried out structural adjustment at great social cost, there had been very few cases of success, mainly because of the unfavourable external environment. He added that it was a fundamental principle that each country had the right to decide on its development model, according to its own specific national conditions. There was no universally applicable model for development.

69. He stated that in the preparatory process for UNCTAD VIII, the various points in his statement should be taken seriously into account and duly reflected in the work of the UNCTAD secretariat.

70. The spokesman for the Group of 77 (India) submitted a document presenting the views of his Group (TD/B/L.906). In his statement, he referred to the acceptance by all countries, in the Final Act of UNCTAD VII, of joint responsibility, in accordance with their respective capacities and weights, for improving the international environment for accelerated and sustainable development and for systemic improvements in international economic relations. He noted, however, that developed countries dealt with their mutual imbalances in such a way as to have a negative effect on the development of developing countries. The instability and disorder in the monetary, financial and trading system had exposed the lack of effective and broad-based multilateral surveillance. Resistance to structural adjustment, protectionist policies towards the exports of developing countries and inadequate financial transfers had starved the developing countries of resources. Despite some positive efforts to remedy the debt crisis, the debt-servicing liabilities of the developing countries remained as serious as ever.

71. While the countries of Eastern and Central Europe were understandably preoccupied with urgent economic reforms, he expected that they would keep in mind their commitment made at UNCTAD VII.

72. He noted that the developing countries had tried to carry out their responsibilities with regard to mobilizing domestic and external resources for their own development; this had produced considerable progress in some areas leading to a more efficient and effective allocation and use of these

resources. However, the degree and complexity of the adjustment which developing countries had been called upon to undertake had resulted in negative development dynamics for most of them.

73. He outlined in detail the assessment of the Group of 77 on implementation and follow-up in the following areas: external resources for development; external debt of developing countries; the international monetary and financial system; international trade, including the traditional themes of UNCTAD; issues related to technology; and, the problem of the least developed countries.

74. He commended the technical assistance rendered by the UNCTAD secretariat in pursuance of the UNCTAD VII mandate and called for the continuation in particular of the technical assistance being rendered in the area of MTNs well beyond the end of the Uruguay Round.

75. He drew the following conclusions from his Group's analysis of the implementation and follow-up to the Final Act of UNCTAD VII as a guide to UNCTAD VIII: (a) the tasks for development co-operation remained as varied, complex and urgent as when UNCTAD VII had met nearly three-and-a-half years earlier, and UNCTAD VIII must pick up the baton and seek to further the objectives and tasks of UNCTAD VII; (b) as in the past, the focus of UNCTAD VIII should be on multilateral action and international co-operation and assumption of joint responsibilities to take convergent action in accordance with their capacities and weights in the world economy by all countries towards significant improvement of the international economic environment for accelerated and sustainable development. The aim should be to evolve equitable, rational and effective management of interdependence and of global resources without which accelerated and sustainable development could not be made to happen; (c) "Resources for development" must be an important item of the agenda for UNCTAD VIII and cover financial and related monetary questions. Stress must be placed on external resources for development and on finding an equitable, durable and mutually agreed and development-based solution to the debt crisis; (d) another important item of the UNCTAD VIII agenda was international trade. Apart from analysis and policy recommendations on the traditional four themes, UNCTAD VIII would have to assess the implications of the outcome of the Uruguay Round for the development prospects of developing countries and identify ways in which the positive development impact of the outcome could be maximized. Issues such as GSP, RBPs and systemic issues on international trade would have to remain the concern of UNCTAD VIII especially with a view to giving the international trade system a more universal and dynamic character and making it more responsive to the needs of developing countries; (e) on commodity issues, the failures of the past should spur the international community to greater efforts and vigorous action. UNCTAD VIII should pledge all countries to devise measures and work for the stabilization of commodity markets and for commodity development; (f) in the area of technology, the entire gamut of issues relating to access, transfer, diffusion and adaptation of technology to and in developing countries should be addressed, including action relating to the Code on Transfer of Technology; and (g) in the area of services, strengthening of developing-country capabilities and arrangements to enhance their participation in international trade in services should be given priority.

76. The representative of Bangladesh referred to the agreements contained in the Final Act of UNCTAD VII regarding the least developed countries and commented on the outcome of the recently concluded Second United Nations Conference on the Least Developed Countries. For many reasons, there had been a deterioration in the conditions of the least developed countries in the 1980s, which had marginalized them even further. In the Programme of Action for the 1990s adopted by the Paris Conference, it was recognized that LDCs had primary responsibility for their growth and development; that success depended on shared responsibility; that increased external support was necessary; and that commitments made should be transparent. The result achieved at the Conference, though short of expectations, was in many ways a success. He drew the attention of all development partners to their respective obligations under the Programme of Action and urged the necessary follow-up action. He emphasized the importance of the monitoring, follow-up and review of the Programme of Action for the least developed countries and in this context called for adequate strengthening of the capacity of UNCTAD's Special Programme Unit so as to enable it to discharge the responsibility reposed in it. The challenges and opportunities, resulting from the political transformations in Europe, should be seized upon; their peace dividends could be replicated worldwide.

77. The representative of the Ukrainian Soviet Socialist Republic said that the comprehensive nature of the Final Act of UNCTAD VII made it difficult to measure the progress achieved and opportunities missed. Interdependence of States was universally recognized, but national economic policy should be taken into consideration. Confrontational obstacles to international co-operation were giving way to dialogue and compromise, which was in the interest of all members of the world community. He mentioned the economic changes taking place in the Ukrainian SSR and its wish to strengthen external economic relations. While referring to the many serious problems besetting the developing countries, he emphasized the importance of the new Programme of Action for least developed countries. He also mentioned the importance of the ecological component in development and suggested that UNCTAD, within its competence, should monitor the relationship between the economy and the environment.

Chapter II

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(Agenda item 3)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES: INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989, ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

(Agenda item 4)

78. Items 3 and 4 were introduced by the Director, Co-ordinator of Resources for Development Programmes.

79. The spokesman for the Group of 77 (India), speaking on item 3, stated that interdependence was the only immutable element amidst the uncertainty created by the rapid and fundamental changes occurring in the world economy. The Group concurred with the central theme of the Trade and Development Report 1990 that the policy challenge of the 1990s was to restore development while managing these changes in a way that would ensure prosperity for all.

80. The task of development co-operation in the 1990s must be seen against the experience in the 1980s, when the dichotomy between sustained economic growth in the developed world as against stagnation, if not decline, in the developing world had sharpened. Already facing a recessionary perspective in the 1990s, the oil-importing developing countries had seen their predicament dramatically aggravated as a result of the recent crisis in West Asia. An emergency action plan to help these countries meet their immediate needs as well as to put them firmly on the road to sustained development was urgently needed.

81. Structural reforms had been undertaken by developing countries in accepting primary responsibility for their development. However, the reform process had been largely unsatisfactory, as reforms were frustrated by the unbalanced international approach to structural adjustment, whereby only developing countries bore the brunt of adjustment while developed countries gave themselves autonomy to postpone reforms. Moreover, stabilization programmes thrust upon developing countries were flawed in many respects, rendering adjustment a counter-productive process and resulting in greater socio-economic distress and political instability. The policy-making and policy-executing capacity of the developing countries had been overloaded. The herculean task also had to be undertaken within a relatively short period of time and in the context of reduced resources, thus making success elusive for many.

82. He said that the world should learn from the experience of the 1980s that poverty was as destructive as tyranny, illiteracy as degrading as intolerance and starvation as dehumanizing as repression. Therefore, reform efforts by developing countries must be supplemented and supported by international action.

83. The recent and imminent radical structural changes in the world economy implied that links among various sectors had multiplied, thus requiring more intensive international co-ordination. However, such co-ordination had been inadequate and in some areas totally lacking. The unprecedented growth of developed countries in the 1980s was not transmitted to developing countries and seemed to have been achieved through policies which ensured weak commodity prices and high interest rates, both of which were detrimental to the resource position of developing countries. In the future, the well-being of developing countries should form an integral part in designing the macro-economic policies of developed countries.

84. The Uruguay Round had the potential of addressing the problems and rectifying the imbalances of the international trading system. The United States, EEC and Japan had a heavy responsibility to help achieve this potential. As far as the continuously deteriorating commodity situation of developing countries was concerned, there was urgent need to intensify international co-operation with a view to creating more commodity organizations and ensuring predictable and remunerative prices to producers.

85. To bridge the serious financing gap facing the developing countries, substantial flows of long-term development finance was needed. This alone could enable them to deal with the problems of persistent mass poverty, unemployment, debt and environmental degradation. The quality and terms of development finance must be vastly improved. The resource base of multilateral institutions must be considerably strengthened. The time had come for effective multilateral action to scale down the debt and reduce the debt-service burden to levels that allowed growth to proceed at an acceptable pace. Measures should be taken to prevent debt proliferation. This new approach should apply to both debts from commercial banks and from official sources. Ensuring financial and monetary stability would be more than ever necessary in the 1990s.

86. He noted that the South Commission had put forward a vision of a rational and development-oriented international economic system in its report presented at Caracas earlier in the year. The proposal, policies and approaches relating to North-South co-operation therein deserved full and thorough consideration in the Board.

87. Finally, he asked that deliberations in the Board should help vitalize the economic mandate and role of the United Nations, in particular the interrelationship among economies and policy areas in support of global action for development.

88. The spokesman for the Group of 77 (Chile) speaking on item 4 said that, for many developing countries, living standards had dropped well below the levels of the 1970s. An unfavourable external environment still affected negatively developing-countries' efforts to overcome the debt crisis. Between 1984 and 1988 debt-service payments by developing countries had exceeded new loan disbursements by $163 billion.

89. The current Middle East crisis was negatively affecting the debt-service capacity of several heavily indebted countries, including those that had recently made some progress in debt and debt-service reduction. The crisis equally affected those oil-exporting countries which were in the process of

concluding negotiations with commercial banks and other creditors, as the present high oil prices created the illusion that such countries were reaching external viability.

90. The current debt strategy had not been successful in restoring growth, external balance, and normal debtor-creditor relations in most heavily indebted countries. For the strengthened debt strategy to be successful more funds were required and the scale of debt reduction had to be enlarged through financial support from official sources. Bank financing packages had to be made more consistent with the requirements of debtor countries' Fund-supported adjustment programmes. Governments of creditor countries should take measures to encourage commercial banks to undertake debt and debt-service reduction operations and to provide new money. They should also provide greater financial support for debt reduction operations and re-establish new medium- and long-term credit or insurance cover at appropriate rates.

91. The Group of 77 welcomed the recent initiatives taken by industrial countries to alleviate the official debt burden of the lower middle-income countries, including the new terms adopted by the Paris Club. However, debt relief for these countries should also include an adequate reduction of debt-service payments. The debt burden of severely indebted low-income countries had become so large that it was unlikely that even continued concessional rescheduling under Toronto terms over a very long period could lead to sustained growth and external viability. For these countries, there was a need for debt cancellation and for additional resources on highly concessional terms. While some proposals had recently been put forward by some industrial countries, some developing creditor countries had already taken concrete action.

92. For many developing countries, and especially some of the poorer, debt owed to the multilateral financial institutions represented an important part of their overall debt burden. Additional resources from developed countries needed to be brought to bear on this problem, so as to reduce debt-service payments when needed, and in a manner that safeguarded the financial viability of those institutions. The Group of 77 invited the multilateral financial institutions to give serious attention to measures to alleviate the debt burden of least developed countries, including interest rate subsidies or refinancing schemes funded by reflows or special trust funds.

93. Many debtor countries had adopted policies to consolidate national saving, attract non-debt-creating flows, and reverse capital flight. In turn, the industrial countries should ensure adequate financing of adjustment programmes and facilitate the flow of direct investment and other non-debt-creating flows to indebted countries.

94. The current Middle East crisis had substantially increased the external financing needs of many developing countries. The effects of the present abnormal and uncertain situation required financing, not adjustment. The multilateral financial institutions should extend highly concessional assistance to these countries and play a catalytic role in mobilizing additional concessional financing from bilateral and multilateral sources, as well as substantial debt relief. The World Bank should consider establishing an IDA supplementary facility and the possible augmentation of IDA-9, and IMF should administer the existing facilities more flexibly.

95. The spokesman for Group B (Germany) stated that though the economic situation in many developing countries had remained difficult, there were nevertheless reasons for cautious optimism. The overall outlook for the economic performance of the OECD countries had remained positive; historic changes in Central and Eastern Europe were expected to give fresh impetus and release resources (the "peace dividend") for dealing with the central problems of the present time, such as underdevelopment and poverty; there was increasing awareness that global problems threatening the survival of mankind could only be solved through continued efforts by all nations in the framework of interdependence; international co-operation had been strengthened based on the emerging consensus that developing countries bore primary responsibility for their own development and the need for political and economic reforms. However, Group B also recognized the importance of the role of a favourable international economic environment, though this could only help national efforts to succeed fully. The need for solidarity and partnership between developed and developing countries, as well as the need to assist weaker economies, was also recognized.

96. The positive outlook for growth in the OECD area was expected to lead to a significant increase in OECD imports from non-OECD countries. However, uncertainties relating to these forecasts, in particular a widespread rise in long-term real interest rates and financial market volatility, had been considerably heightened by the current Middle-East crisis. Oil-importing developing countries especially were being adversely affected by the economic consequences of the flagrant violation of the Charter of the United Nations and the inflexible disrespect of Security Council resolutions by Iraq. If oil prices were to remain at their present level or even rise further, growth in oil-importing countries could be reduced and inflation could accelerate compared to the forecasts made last spring. Whereas OECD countries were now better equipped to cope with increased oil prices, many oil-importing developing countries were in a more difficult situation. For them, over the last 20 years industrialization had increased energy consumption. Also, slower growth in OECD countries would adversely affect the exports and terms of trade of the non-oil raw material exporting developing countries, against a background of rising world interest rates. Energy-importing Central and Eastern European countries would be similarly affected.

97. Oil-exporting countries would experience an increase in export earnings, but the adjustment efforts of many debtor countries would be rendered even more difficult. The need for special assistance to the most severely affected developing countries also posed a challenge for South-South solidarity. With a combined effort, making use also of the potential of the World Bank and IMF, it would be possible to control the negative impact of the crisis. An appropriate mix of financing and adjustment was needed.

98. Group B countries were committed to a successful outcome of the Uruguay Round. This should result in an improved, strengthened multilateral trading system, including services. Group B was encouraged by the fact that developing countries have been actively involved in these negotiations from the beginning.

99. He noted that after 40 years of cold war, Europe was growing together again. The unification of Germany was the most conspicuous aspect of this process. The centralized "command economy" had proven less efficient. Deepening inter-European co-operation, including North America, would have

a positive impact worldwide, creating new chances for growth and co-operation with the South. Furthermore, the radical political and economic reforms under way in Central and Eastern Europe, with increased reliance on market forces, good management, and improved efficiency of the public sector, would enhance economic performance. Furthermore, political pluralism and individual freedom in a framework of social responsibility were the motor for economic and social development. Human rights, therefore, were not only a moral but also an economic necessity. The necessary support to Central and Eastern Europe would not diminish the determination of Group B countries to give high priority to development co-operation with the third world. Nevertheless, he emphasized that only sound domestic policies, together with improved governmental and administrative capacities, could establish the main pillars of development. Guidance and assistance for developing countries in their reform process could be a promising field of new activity for UNCTAD.

100. On the issue of sustainable development, he stated that agreeing on a framework for national policies and international co-operation for environmentally sound and sustainable development was the central task of international diplomacy for this decade. While all countries must take action, Group B bore a special responsibility in confronting global environmental issues. Group B countries were convinced that the vicious circle of underdevelopment could be broken if development strategies were based on the integration of the principles and objectives of sustainable development. UNCTAD VIII should provide an opportunity to discuss the major issues mentioned above.

101. The representative of China stated that the world economy in the 1980s had been marked by an expanded imbalance in growth and an impasse in dialogue between the North and South. In trade, many developing countries had been victimized by an intensified trend towards protectionism, falling commodity prices and deteriorating terms of trade. In finance, their debt burdens had remained critical, and a net transfer of resources had flowed from the developing to the developed countries. Not only had the developing countries benefited little from globalized financial activities, but their economies had been made more vulnerable by external financial events that had been turbulent and unpredictable. Structural adjustment policies had been undertaken in developing countries at great socio-economic cost and some with the consequence of disorder and instability. The forecast of a recession in the world economy in the Trade and Development Report 1990 was being proved by recent developments. Regarding the Gulf crisis and its adverse impact on the world economy, China hoped that a peaceful solution would be found at an early date.

102. One important subject in the 1990s was to strengthen international economic co-operation, with emphasis on helping the developing countries to realize macro-economic stability and reinvigorate their economic growth. While the developing countries should carry out policies of adjustment and reform in accordance with their specific national situation, the developed countries should also strive to create an external environment supportive of economic growth of the developing countries.

103. Referring to the prevailing debt situation of the developing countries, he pointed out that although some progress had been made in alleviating the debt difficulties of the developing countries, the debt situation remained serious. The existing strategy had its own limitations, both in the number

of beneficiaries and the degree of benefits. The Brady initiative and the Toronto Agreement were insufficiently effective. It was imperative to address the debt problem in conjunction with issues of money and finance, trade and commodities, and the fundamental solution to the debt problem lay in promoting economic recovery and development of the debtor countries so as to improve their debt-servicing capacity.

104. As for protectionism in trade, the commitments of the developed countries to standstill and roll-back had not been fulfilled in earnest. The multilateral trade system had been challenged by unilateral actions and bilateral arrangements. Careful studies would be needed on the impact of regional economic integration, bilateral trade arrangement among developed countries and the transformation of the Eastern European economies on the trade of developing countries. With regard to the Uruguay Round, an unbalanced outcome of the negotiations would be seriously detrimental to the developing countries. There had thus far been no breakthrough in the areas of textiles and agricultural and tropical products - all of which were of interest to the developing countries. He called upon all participants in the negotiations, particularly major traders, to exert every effort for the success of the Round in order to create "a more open, stable, equitable and predictable international trading system".

105. The Secretary-General of the United Nations Conference on Environment and Development stated that the 1992 Conference provided a new context for dealing with issues that had long been central to the activities of UNCTAD. There was a growing understanding of the deep and pervasive linkages between environment and development. However, in view of the limited progress in effective development policies and practices since the Stockholm Conference in 1972, environmentally destructive development had continued in all countries and now posed a grave threat to the environmental and economic future of the whole world, but in particular to the developing countries. The report of the World Commission on Environment and Development, entitled "Our Common Future", made a compelling case for the integration of environment and development at all levels of economic policy and decision-making in order to achieve sustainable development. The environmental dimension introduced new insights and political perspectives as well as new reasons for a concerted attack on world poverty. The 1992 Conference would focus on the need for fundamental changes in international economic behaviour and relations, particularly between the North and the South. The causes of almost all environmental problems originated in the development process or in its failures and inadequacies. It was only through better management of the development process that these issues could be addressed, and in this context he cited Japan as an example of the economic advantages to be gained from an efficient use of natural resources.

106. In adopting a programme of action for the period leading into the twenty-first century - "Agenda 21" - the 1992 Conference would give high priority to achieving agreement on the means to implement the various measures and programmes by ensuring the access of the developing countries to the new and additional resources and environmentally sound technologies they would require to enable them to incorporate the environmental dimension into their own development policies and practices and to participate fully and equitably in international environmental co-operation. The Conference was also expected to agree on important institutional changes, including the strengthening of UNEP as well as the related capacities of the development

agencies and organizations and the processes of their collaboration on issues that went beyond their traditional mandates. It was hoped that all of these practical measures would be inspired by a declaration - the "Earth Charter" - promulgating the basic principles that must govern international behaviour in order to safeguard the global environment. The challenge was monumental, for the action which the international community took or failed to take in the 1990s would determine the fate of the planet and of humanity in the twenty-first century and beyond.

107. In dealing with the intractable problems of development, the international community could not accept as permanent and immutable the poverty and suffering of the three quarters of the world's population who lived in the developing countries. The gross imbalances between the industrialized world and the developing countries were directly related to the imbalances between economic behaviour and the environmental resource base, and the first problem could not be addressed effectively without regard for the second. An equitable balance between environment and development offered a new basis for co-operation and partnership between the industrialized and the developing countries on the basis of a transcendant common interest. To this end, the developing countries must become full partners in the management of the world economy and in the benefits which flowed from it.

108. Observing that the 1992 Conference was building on the work and experience of UNCTAD and addressed essentially the same issues, he said that UNCTAD VIII would be extremely important and timely in the contributions it could make to the 1992 Conference. Accordingly, preparations for both Conferences must be closely related, and he hoped that the Board would agree that collaboration between the two secretariats would increase the effectiveness of their respective programmes and Conferences. The success of these common efforts would depend on effecting a fundamental shift in existing patterns of political will. The past year had demonstrated dramatically that such changes could take place at the political level. What was needed now was a similar breakthrough in international economic relations, particularly in relationships between North and South. The 1992 Conference offered the best prospect of achieving the shift in international economic behaviour and relations needed to set the world on the path to a secure and sustainable future.

109. The representative of the United States of America stated that a fresh look at what promoted trade and development was long overdue in UNCTAD. The developing world was waking up to the realization that sustainable development was not attained through aid transfers, but was the result of free enterprise, foreign investment, and good government. UNCTAD had yet to come to grips with the need to restructure its work programme to reflect this thinking.

110. The Trade and Development Report 1990, was a critique of the developed world's policies, instead of an examination of what was happening in the developing world. Nor had it focused on the LDC's self-inflicted obstacles to development or on an analysis of what had gone wrong in the developing world. UNCTAD should highlight the success stories in third world development and prosperity. He pointed to Botswana which had started off with the same disadvantages that had saddled practically every new-born sub-Saharan country on its independence in 1966. However, 24 years later, its system of market democracy had produced a per capita income over twice that of other sub-Saharan African countries. The lessons were clear: democracy was important to promote stability, to check corruption, to protect free

speech and the rule of law; human capital was important, to develop man's inexhaustible source of ingenuity; foreign investment was important, to create, not just transfer, wealth; and finally, small, measured development was important. He said that the world could learn a great deal from Botswana and UNCTAD could offer some hope for the future by paying obeisance to Botswana and other developing countries. UNCTAD could start by setting a realistic agenda for UNCTAD VIII, one that would focus on the endogenous factors.

111. The representative of Hungary observed that profound economic changes and major political events were currently under way in the world, influencing both international political and economic co-operation. He reviewed some basic elements of the far-reaching developments in Hungary since the last session of the Board. The process of fundamental political changes, begun by the free parliamentary elections held in the spring of 1990, was to be perfected by the recent election of local authorities. A few days earlier his Government had adopted a three-year programme which reflected a new social and economic system gradually gaining shape in the country. Restoring internal and external equilibrium was a key point of departure for the National Renewal Programme. The Government aimed to stop any further accumulation of foreign debt, stem the balance-of-payments deficit, bring down inflation and establish a strong and convertible currency. A further goal was to establish the predominance of the private sector. Among the envisaged measures, privatization was of outstanding importance, the objective of which was to achieve the predominance of the private sector in the economy.

112. However, the positive results of Hungary's internal efforts were hard hit by factors beyond its control, such as the unprecedentedly grave drought and other factors - primarily the Gulf crisis which could cost Hungary as much as 0.5 billion dollars in the next few months.

113. He noted with concern that the Trade and Development Report 1990, in many respects gave a misleading picture of the process taking place in Hungary and the real future possibilities for developing countries. He said the misleading conclusions of the Report were the result of a generalization of different economic and trade policies of different countries, an approach which his delegation had questioned several times. Regarding a possible multilateral framework for international trade in services, he said that the relevant part of the Report dealt with this issue from the perspective of OECD and developing countries, but did not take into account other countries.

114. His Government, when formulating its domestic economic policies, wished to rely on the strengthened rules and disciplines of the international trading system as embodied in the GATT. In this connection the successful completion of the Uruguay Round was imperative.

115. The representative of Egypt observed that the world had become increasingly interdependent so that economic, political and social considerations were closely interwoven, and development could not be achieved without peace, security and stability.

116. The present Gulf crisis had caused enormous damage, especially to developing countries, and threatened peace and security. The negative effects on developing countries pertained to the loss of jobs, remittances, savings, the cost of absorbing the returned labour force and the loss of the Iraqi

and Kuwaiti markets. The crisis increased the possibility of recession in the DMECs, in which case the negative effects on developing countries would be accentuated through an increase in interest rates, depressed demand for their exports and a slow-down in North-South financial flows. The secretariat's analysis in this regard provided an acceptable approach. The cost to the Egyptian economy, which was the most seriously affected by the crisis, amounted to about $4.5 billion in terms of remittances, lost revenue from the Suez Canal, tourism and exports, $10 billion in lost bank deposits of its citizens and $4.4 billion in investment to absorb the returnees.

117. The international community, which had shown an unprecedented solidarity in imposing international law, should display the same solidarity in compensating the countries affected by the crisis. This required concrete measures and not merely research studies. It was not acceptable to ask those countries to adjust to temporary and uncertain events. The greatest loss was not that of money or jobs but rather of security and stability and the crack in the Arab regional system. The real solution to the crisis lay in the full implementation of the relevant Security Council resolutions and the restoration of the independence and sovereignty of Kuwait under its legitimate Government in implementation of the resolutions of the international community. He supported the remarks of the Secretary-General of UNCTAD regarding the establishment of a mechanism on international financing on a concessional basis to assist countries affected by the crisis and called upon the UNCTAD secretariat to carry out a detailed study, as soon as possible, on the effects of the crisis on the international economy and that of developing countries, particularly those most affected such as Egypt and Jordan.

118. The representative of Iraq, speaking in exercise of the right of reply, said that the representative of Egypt had referred to the negative impact of the Gulf crisis on the economies of other countries. Iraq sympathized with these countries but it should be recalled that the cause of the negative impact was the tension created by the presence of hundreds of thousands of foreign troops in the area. With the help of Egypt, these forces had enforced a savage embargo, contrary to all humanitarian laws, in order to starve a population of 18 million and had even prevented the supply of milk to children. This illegal boycott was imposed by countries which wished to return to the Gulf to control all the oil resources, with the blessing of some of the countries of the area, including the country of the speaker. Iraq had not expelled the Egyptian workers; some had left because of the tension created but thousands were still living with dignity in Iraq. The representative of Egypt should have called for the solution of the crisis by peaceful means rather than creating tension in a forum such as the Board, which should remain faithful to its mandate, which was to resolve the economic problems of developing countries.

119. The representative of Canada stated that the failure of the statist, centrally planned model of economic development had now been fully revealed. Countries which had adopted it were struggling to escape the burdens it had created and were transforming their economies along market-oriented lines. Developing countries were also turning away from dirigiste approaches to development and towards maximization of individual responsibility and initiative.

120. Political management of the adjustment process presented a formidable challenge, the success of which depended on both internal and external factors. Internally, the authorities must show a strong commitment to adjustment and reform, the programme must be credible and the population confident that accelerated growth would be forthcoming. Externally, there must be adequate financial flows and a supportive international trade and financial environment. In this regard, top priority should be given to the successful conclusion of the Uruguay Round on time in December, which would contribute greatly to sustained world economic growth and accelerated progress in the developing countries.

121. While the desired congruence of internal effort and external support was widely recognized, he was concerned about the UNCTAD secretariat's overriding tendency, as reflected in the Trade and Development Report 1990, to focus almost exclusively on analysis for action at the international level, while ignoring that the foundation for sustained growth and development was sound national policies. He noted findings in the Report concerning relative performance of different developing countries and econometric simulation reported in chapter II which illustrated his concern. Moreover, the secretariat showed a predilection for dirigiste, interventionist approaches to economic policy problems which had been found wanting in many countries, and cited the treatment of the international financial system and of the financial and banking sector in developing countries as examples. Such an approach, if not corrected, risked compromising the chances for a successful outcome of UNCTAD VIII.

122. The representative of Turkey stated that the developments in Eastern Europe and the unification of Germany had ushered in a new climate of understanding and co-operation which had positive repercussions on the rest of the world. However, this spirit of optimism had been shattered by the recent crisis in the Middle East, which was having a depressing impact on global economic activity. Primarily due to the adverse effect of the crisis on the world oil markets, many countries were facing unexpected and mounting economic difficulties. Fiscal consolidation had become more complicated, growth-oriented adjustment and development policies had been undermined, and debt-servicing capacities substantially weakened.

123. For some countries which had extensive commercial and economic relations with Iraq and Kuwait, the implementation of the United Nations embargo resulted in the loss of earnings from the export of goods to both countries. Turkey was shouldering a great burden as a result of its strict implementation of the United Nations embargo. While he appreciated international efforts to provide immediate and medium-term financial and economic assistance to countries severely affected by the crisis, they represented only interim measures or partial remedies. Increased trade, improved access to markets, and lesser restrictive or protectionist measures would provide more durable solutions. The Middle East crisis had accentuated the need to liberalize international trade of both goods and services. In this respect, his Government attached great importance to the successful conclusion of the Uruguay Round.

124. Current economic realities required a new form of international co-operation which should reflect the common political will of the entire international community. This will must be mobilized when deep and rapid changes were occurring and, in particular, to overcome the problems confronting the world economy as a consequence of the ongoing crisis.

125. The representative of Australia stated that interdependence was, rightly, an issue warranting the close attention of the international community and one of the factors in the economic equation which Governments must consider in the development of their national strategies. His Government was keenly aware of the economic implications of interdependence and had undertaken an extensive programme of structural adjustment. The potential benefits of interdependence were well illustrated by the Uruguay Round, whose successful conclusion would assist global adjustment and generate new opportunities for growth and development in all countries in the decade ahead. Australia's concerns in relation to international debt issues focused principally on the weaknesses in the economic and social structures in the global economic system which national indebtedness had exposed. The social and economic costs of debt and debt servicing for a number of indebted nations had been very high. Social programmes in particular had borne the burden of debt servicing. Australia had been encouraged by the improved prospects for achieving a durable solution to the problems of heavy indebtedness. However, he expressed concern that much of the commercial debt had now been transferred to the international financial institutions, with the potential to create serious difficulties for them. Asian/Pacific countries which had honoured their financial obligations should not be disadvantaged through support given to others.

126. As to Trade and Development Report 1990, he said that Australia would have preferred it to have provided a more defined basis for national policy formulation in order to balance the attention given to the analysis of the international economic environment. In executing its mandate UNCTAD must reflect the perspectives of the wider international community if it was to contribute substantively to effective dialogue on economic matters in the United Nations system. Australia was giving priority to human resource development in its domestic policies and programmes as well as in its development co-operation.

127. The Australian Government had been a strong supporter of Mr. Fraser's work on Africa's commodity problems and was examining possible means whereby Australian business might be encouraged to become more involved in Africa.

128. The representative of Japan said that the 1980s had witnessed the strengthening of interdependence through revolutionary changes in telecommunication and information technologies as well as the globalization of markets. Nevertheless, the economic performances of various countries had been very diverse. Among the developing countries, for example, the newly industrializing countries and several Asian countries had enjoyed high rates of economic growth, whereas external debt problems and long-term low commodity prices had hindered the economic development of some other developing countries.

129. He noted that since 1989 there had been a number of developments with major implications for the international economy. Eastern European countries were undertaking ambitious reforms. The current Middle East crisis had added uncertainty to the future course of the world economy. Under these circumstances, each developing country was required more than ever to pursue development and structural policies most appropriate to its given condition. Donor countries and international organizations must strengthen their finely-tuned co-operation to meet the diversified needs in various regions of the developing world.

130. Japan considered the debt problem to be one of the main issues facing the world economy and had taken various concrete actions to solve it, such as appropriate rescheduling of repayments, provision of necessary financing and other measures in support of the self-help efforts of developing countries.

131. At the Summit of the Arch held in Paris in 1989, Japan had announced that it would expand the previous Capital Recycling Scheme of more than $US 30 billion to developing countries over a three-year period into a Scheme of more than $US 65 billion over a five-year period, including the three years of the previous Scheme. The incremental portion of this new programme (1987-1992) carried the same basic characteristics as the original programme in that the funds were additional to normally expected capital flows from Japan and that the funding was completely untied.

132. Japan was also supportive of the strengthened debt strategy and under the expanded Capital Recycling Scheme was prepared to extend $US 10 billion to the countries to which that strategy was applied. Under this Scheme, Mexico and the Philippines were to be major beneficiaries. His Government had also provided the necessary tax incentives to Japanese commercial banks to enable them to co-operate better with the strengthened debt strategy.

133. The representative of Italy, speaking on behalf of the EEC and its member States, said that world interdependence was particularly demonstrated in crises such as the present one and the international community should provide co-ordinated action on four fronts: macro-economic policies geared to maintaining a dynamic world economy; liberalization and expansion of international trade; alleviation of the problems of the most indebted countries; and adequate support to development efforts of the poorest countries.

134. Economic co-operation among industrialized countries had always aimed at maintaining a dynamic level of activity, reducing external disequilibria, and preventing inflation. The EEC recognized that it was necessary to reduce the instability of financial markets and fluctuations of exchange rates. The EEC had set up the European Monetary System for that purpose. The EEC had doubts about the possibility of generalizing this mechanism at the world level and believed it would be more realistic and fruitful to reinforce the co-ordination of macro-economic policies, particularly monetary policies. Furthermore, the proposal to tax speculative transactions seemed to be hazardous.

135. The EEC was convinced of the benefits of an expansion of world trade and had clearly opted for the opening of its markets, as against increased protectionism. With the integration of Eastern European countries in the world economy, the EEC would ensure that the support it was bringing to these countries would not be at the expense of its developing-country trade partners.

136. In the area of liberalization of international trade in banking services, the EEC took issue with the opinion in the Trade and Development Report 1990 that this liberalization would not benefit developing countries. The advantages that international banks could bring to developing-countries' financial markets were appreciable, as suggested by the Report. Furthermore, current negotiations on that matter did not require eliminating exchange controls. The principle of progressive liberalization would ensure that

due account would be taken of the level of development and the eventual fragility of local banking systems and that transition periods would be agreed accordingly.

137. Important progress had recently been achieved in the search for solutions to the debt problems of the most indebted countries. Efforts made by debtor countries in implementing economic reforms had been accompanied by supporting efforts of multilateral financial institutions and public and private creditors to alleviate these countries' debt service. At the Second Conference on the Least Developed Countries, some member countries of the EEC had announced their intention to cancel public bilateral debt of LDCs. The EEC welcomed the statement made at the Conference urging multilateral institutions to take measures to alleviate the service of LDCs' multilateral debt. The EEC also invited the Paris Club to regularly adjust their terms so as to respond positively to the needs of the most indebted countries. The commercial banks should also share the burden, notably by augmenting the volume of resources available to indebted countries. Other means to reduce the debt burden, for example through debt equity swaps or debt buyback, should also be implemented.

138. The international community should provide adequate support to indebted countries in the implementation of appropriate national economic policies. In this regard, the EEC and its member States were the major suppliers of aid to developing countries. This had recently been reinforced by new aid commitments made by EEC member States at the recent Conference on LDCs. Furthermore, the fourth Lomé Convention reflected the EEC's aid commitment, as the resources made available to developing-country partners had been increased by 20 per cent, the major part in the form of grants. In addition, Lomé IV included a new mechanism endowed with additional resources and bringing support to structural adjustment in developing partner countries in a way that prevented negative social consequences, especially on the least privileged social groups. Finally, the EEC also expressed its satisfaction on the successful replenishment of IDA resources, to which the EEC member States contributed an amount equivalent to 38.5 per cent.

139. The representative of Norway, speaking on behalf of the Nordic countries, said that in parallel with profound political changes which included progress for democracy, human rights and broad popular participation, there had been a shift to market-oriented policies in many countries. Markets must, however, be monitored, and when necessary regulated, in order to ensure their effective functioning, and the results of the market mechanism must be adjusted as necessary to achieve an acceptable level of social and economic justice. There was a need for strengthened international co-operation to improve the functioning of the global economy and create an international economic environment conducive to growth and development, but without sound and efficient national policies such a positive economic environment would not be sufficient. At the national level, there was now ample scope in many countries for transferring resources from military spending to much more productive ends.

140. The significant net outflow of resources from debtor developing countries gave increasing cause for concern. While macro-economic adjustment and comprehensive structural reforms in these countries had to be continued, there was also a need to further improve the debt strategy through increased resource transfers and comprehensive debt relief. Reform programmes should be designed so as to counter negative social consequences and effects on human

resource development. Finance provided by commercial banks tended to be inadequate so that there was a risk that official creditors, including the multilateral institutions, might have to take on an unreasonably large part of the financial burden of the strengthened debt strategy. In order to improve the external environment for reform efforts, co-ordination of economic policies between countries with large imbalances had to be strengthened since positive signs in this regard had appeared recently.

141. For the large majority of the poorer countries prospects remained unfavourable and the recent increase in oil prices was likely to further worsen the payments imbalances in many countries. They needed adequate access to the resources of the Fund and the Bank, and the assistance of creditor countries on a case-by-case basis.

142. The Nordic countries were ready, in co-operation with other creditor countries, to consider debt relief measures beyond the Toronto terms for the poorer and hardest hit countries. It was very important that ODA, especially from those industrialized countries which were below the 0.7 per cent of GNP target, be increased.

143. He said that there was ground for reasonable satisfaction with the outcome of the Paris Conference. The undertakings by LDCs in respect of human rights and popular participation were to be welcomed. The responsibility for creating the necessary international economic framework for growth and development in the LDCs lay mainly with the industrialized countries. The situation of the LDCs required further concrete measures to alleviate their debt burdens and increase concessional financing.

144. Central to any efforts by developing countries to increase their export earnings was the issue of market access. The Uruguay Round must bring substantial liberalization of international trade and improved rules and disciplines. Diversification measures should be encouraged and international commodity co-operation, research, development and market promotion activities strengthened. For the LDCs, special measures would be needed for some time yet.

145. The Nordic countries underlined the priority they attached to efforts to deal with threats to the global environment and would have more to say on the subject under item 8 (a).

146. Finally, he emphasized the importance of UNCTAD's finding its proper place in the international economic setting emerging after the completion of the Uruguay Round. Important areas for UNCTAD would inter alia be environmental issues.

147. The representative of the USSR stated that the growing interdependence of States had moved fast in the last decade. The new interlinked world required a new level of multilateral economic partnership: the decision of the eighteenth special session of the General Assembly had created a good basis for such co-operation. In this context, UNCTAD, which had accumulated positive experience in studying the whole complex of problems of international trade and development, could focus on forecasting world economic development and monitoring the long-term evolution of the world economy, in particular its structural shifts, and tendencies in the international trading system.

A problem of special importance was timely identification of likely negative processes and elaboration of practical recommendations for their neutralization. UNCTAD could also undertake analysis of the conversion problem in the framework of the disarmament.

148. The restructuring in the Soviet Union and its integration, as well as that of the other countries of Eastern Europe, into the world economy, would become one of the main factors of development of international trade in the 1990s. He suggested that both analysis of the restructuring process in the countries of Eastern Europe, and the use of different possibilities to provide assistance to these countries for their fuller integration into the world economy, could become one of the elements of UNCTAD's activities.

149. He reviewed the latest developments in the USSR's external economic policy, introduced by the recent Presidential Decree, including the introduction of world prices and the use of convertible currencies in trade with other CMEA countries from 1 January 1991, which would be a real move by his country towards the creation of a single world economic space. Commenting on the Presidential Decree, he said that the Soviet Union would continue economic co-operation with the developing countries, taking into account, in particular, that economic aid should be provided within the USSR's real ability.

150. The Soviet Union was developing contacts with many international organizations and institutions. Observer status in the GATT had been granted to the Soviet Union in May 1990. The USSR also intended to accede to the GATT as a Contracting Party. He outlined some points of the work being done at the national level, especially in the field of elaboration of the new Soviet Customs Tariffs and Code and establishment of a customs statistics system. Both new customs tariffs and statistics would be based on the Harmonized Commodity Description and Coding System.

151. The representative of the International Monetary Fund said that the important question for the course of the world economy was the economic policy response to both the greater weakness in economic activity and the surge in oil prices. The current situation was considerably more digestable than the oil shocks of the 1970s. Governments should dispel policy uncertainties and there should be no premature easing of monetary policy. Efforts at fiscal consolidation had to be strengthened, and structural adjustment continued, both in developed and developing countries. For developing countries especially affected by higher oil prices, an adequate mix of adjustment and financing had to be found. No special Fund facilities were to be created, but existing facilities should be used with more flexibility; the Fund aimed also at introducing an interest subsidy mechanism for certain members. The agreed quota increases had to be brought into effect urgently. While the strengthened debt strategy was broadly on track, official creditors should continue to reschedule debts, provide concessional assistance and develop new approaches to improve debt profiles durably. Commercial banks should demonstrate greater flexibility towards debtor countries with a view to restoring normal business relations.

152. While financial integration had complicated the implementation of monetary and fiscal policies and had created new risks associated with asset price variability, these problems were outweighed by the significant

efficiency gains that had been achieved. For an appropriate prudential and macro-economic setting that allowed for a productive channelling of market forces, a strong mechanism for international policy co-ordination was required.

153. She also said that the resilience of the world economy and the success of countries' market-oriented reforms hinged importantly on a success of the Uruguay Round.

154. The spokesman for the Group of 77 (India), speaking on item 3, said that a satisfactory outcome of the Uruguay Round from the point of view of the developing countries was vital for the success of their efforts towards accelerated economic growth and development and central to the success of the Round itself. A recurrent concern of developing countries was that the processes and procedures adopted for decision-making currently needed to be revised in such a way as to permit democratic, participative and broad-based decision-making at all stages of the multilateral trade negotiations.

155. Another aspect which was relevant to ensuring a timely and successful conclusion of the Round was the need to respect established mandates in each area and to work for agreed solutions to problems specifically identified in these mandates. Linkages between different areas and issues which did not take into account the stipulation about differential and more favourable treatment to developing countries, about non-reciprocity of concessions made to them, about their not being asked to make contributions which were inconsistent with their individual development, financial and trade needs, should be eschewed.

156. He said that developing countries wished to strengthen the multilateral trading system so that it would protect and reinforce trade liberalization through:

(a) Full respect for the principle of non-discrimination, including the automatic and unconditional application of MFN treatment;

(b) Effective and positive linkages between the international trading system and the development process of the developing countries which would ensure substantial expansion of exports in international markets and flexibility in their use of trade measures;

(c) Prohibition of all arrangements for restrictive market sharing or managed trade;

(d) Prohibition of any unilateral action outside the legal framework of the multilateral trading system; and

(e) Maintenance and strengthening of an effective system for dispute settlement.

So far these objectives of developing countries had remained unfulfilled.

157. The extent to which countries were willing to fulfil their standstill and roll-back commitments during the period of the negotiations was a barometer of the credibility of the trade liberalization commitment embodied in the Uruguay Round. The record in this regard was disappointing. He added that developing countries had attached special importance to obtaining a substantial package

of concessions on the market access issues. Gains in these areas were one of the main reasons why developing countries had joined the Round, but these were now being held hostage to reciprocity demands from developing countries.

158. He outlined the position of the Group of 77 on the negotiations on tariff and non-tariff measures and other market access areas. He called for removal of tariff and non-tariff barriers with regard to tropical product exports of developing countries in accordance with the special priority and early implementation of results indicated in the Punta del Este Declaration. Meaningful progress in one of the key areas of the Uruguay Round for most developing countries, viz. textiles and clothing, through the phase out of restrictions and reintegration of this sector in the GATT was a litmus test for both trade liberalization as well as the accommodation of developing-country interests in the outcome of the Round. Developing countries supported greater liberalization of trade in agriculture by increasing access to markets, substantial reduction in internal support and elimination of export subsidies and all derogations deriving from waivers and protocols of accession of developed countries with a final aim of integrating agriculture into GATT. They also emphasized the development dimension in agriculture and sought flexibility and autonomy in the use of internal support and all other measures. The net food-importing developing countries needed measures to be in place in order to offset the increase in food prices in the short and medium term. With regard to natural resource base products, he called for progress on elimination of tariff and non-tariff measures on natural resource base products such as fisheries and rejected developed country demands for access to supply of natural resources.

159. In the context of rule-making issues, developing countries supported a strengthening of the GATT rules and disciplines so as to clarify and remove the shortcomings that had arisen in the interpretation of the GATT rules, and provide greater security and predictability in their application and enforcement. They, however, opposed attempts to deprive developing countries of their rights in the GATT and to set aside their special needs and interests, as was being done in the context of discussions on review of GATT Article XVIII, especially in its Section (B), and asked that these discussions be closed. Developing countries attached priority to a comprehensive Agreement on safeguards which reaffirmed the MFN principle and outlawed grey area measures and opposed "selectivity" which would legitimize some form of discriminatory safeguard action against exports from "selected countries". With regard to MTN Agreements and arrangements, he called for removing obstacles to the effective participation of developing countries and these arrangements being made less restrictive. Developing countries desired that the revised anti-dumping code should result in reducing the trade barrier and harassment effect of anti-dumping investigation and that the code itself should not become the source of renewed protectionism after the Round. They also advocated stricter disciplines in the use of countervailing measures and they wished to protect their interests in the definition of the scope of prohibited, actionable and non-actionable subsidies and sought incorporation of provisions relating to S & D treatment for developing countries in these disciplines. Furthermore, they believed that a fair and effective dispute settlement mechanism with strengthened access to compensation for developing countries was an indispensable component of a multilateral trading system.

160. In the new areas, he felt that the developed-country proposals went far beyond the agreed mandates and showed no sensitivity for the development needs and interests of developing countries. Developing countries had participated constructively in the negotiations on the new areas and had made proposals in each of them. They expected that their proposals, which adhered strictly to the mandates, could be the basis for an agreed result and that developed countries would not thrust upon them their own perception of an outcome on international trade in services, TRIPs and TRIMs. The result of TRIPs should be made compatible with the special technology and development needs and objectives of developing countries. In TRIMs, an effect-oriented approach could be followed and no attempt should be made to abridge the right of developing countries to ensure the maximum development impact of foreign investment and counter the anti-competitive practices of TNCs. The multilateral framework on services should be a dynamic instrument assisting developing countries in building up core service sectors and establishing a competitive position in international trade in services. The framework should have a universal coverage of sectors and should provide for automatic and unconditional application of the MFN clause.

161. As for proposals relating to institutional arrangements to implement the results of the Uruguay Round, including the proposal made by one major trading entity for the establishment of a Multilateral Trade Organization (MTO), he said that such proposals clearly were not covered by the Uruguay Round mandate. In the context of future institutional arrangements and the strengthening of the international trading system, members of the Group of 77 would no doubt be prepared to consider carefully the possibility of a universal trade organization, provided it was meaningful, broad-based, comprehensive and responsive to developing-country aspirations. The Group of 77 felt that it would be necessary for such an organization to deal also with questions relating to restrictive business practices, commodities and access to technology, which were of vital importance to developing countries. Such proposals required careful and detailed preparations and were best undertaken in the United Nations system - including in UNCTAD - which had a comprehensive mandate, universal membership, and the experience and expertise to deal with such initiatives.

162. The spokesman for Group B (France), speaking on item 4, stated that the yearly discussion in the Board was important since it paralleled and encouraged the unflagging efforts made by the international community in other forums. The Trade and Development Report 1990 provided useful and pertinent elements on the consequences recent economic and financial changes in some parts of the World had had on the state of the world economy. It rightly made allowance for the uncertainties that characterized the present international environment, although the overall assessment provided was pessimistic. He stressed that there existed positive economic developments such as the reintegration of Eastern Europe into the international and liberal economy. As far as development was concerned, one should refrain from generalization since the situations of developing countries appeared today very diversified.

163. He mentioned the important conclusions reached at the recent meetings in Washington, which again gave priority to strong and durable but non-inflationary growth and recommended that the rises in oil prices should be transferred to the final consumers, in a system of open trade and free circulation of capital. Stressing the importance of concerted international action to induce greater stability in monetary matters and movements of

capital, he referred to the important efforts already made in the frame of the EEC and through the Louvre agreements. The stagnation or even slight downturn in ODA in 1989 was very worrying, although he noted the moderate recovery in total resources flows from all sources to developing countries initiated in 1987-1988.

164. Debt alleviation was inseparable from the national and international factors which conditioned development; this was the meaning of the debate on interdependence. He emphasized the cardinal importance of the efforts of the debtor countries themselves towards sound macro-economic policies and structural adjustment measures. He drew attention to the disparity of situations between different categories of countries: for example, between a country which could release virtually no resources for debt servicing, (which was the case of certain sub-Saharan African countries) and a country, which in spite of debt-servicing difficulties, could expect new loans and investment flows and had thus an interest in retaining financial credibility with potential lenders. The rescheduling of the developing-countries' bilateral official debts in the Paris Club was an example of the need to find case-by-case solutions. Regarding the case of the poorest countries, he mentioned the Toronto measures as well as the new initiatives proposed (including debt reduction measures) by some countries and studies such as the Craxi report, which were under review. Recalling that the Toronto agreement was the first initiative by official creditors' countries since Board resolution 165 (S-IX) to contain an element of debt forgiveness, he pointed out that the degree of concessionality of that agreement depended very largely on the choice between options made by the creditor countries.

165. He noted the establishment in 1989 of a special facility within AID intended to supply extra resources for agreements to reduce the commercial bank debts of the poorest countries. Regarding middle-income countries he mentioned the recommendations of the Houston Summit, which had encouraged the Paris Club to "continue reviewing additional options to address debt burdens" and, immediately, to lengthen the repayment period in the consolidation of the debts of the so-called lower middle-income countries. These recommendations had started being applied in September 1989 to four countries - Morocco, Congo, Honduras and El Salvador - for which consolidation terms were longer than under Paris Club standard practices. A new possibility had been offered to these four countries, i.e. to proceed to the conversion of debts into either equity for development or debt-for-nature swaps. He emphasised that it was the first initiative on the part of the official creditors involving an effective reduction in debt, apart from that of the poorest countries. The members of the Paris Club would continue to consider new options to lighten the debt burden on these countries and he recalled that the ultimate objective was, in the long term, the restoration of the confidence of the capital markets in those countries. The needs of the countries which had maintained their creditworthiness through sound economic management should not be overlooked.

166. Turning to the restructuring of the commercial bank debts, he stated that the agreements concluded during the past year were the result of an encouraging evolution, although the slow pace of the negotiations in some cases was a cause for concern. In this regard, he felt that the secretariat report was too critical in its judgement of these agreements, since it did not take into account that the success of the so-called Brady strategy depended largely on the management of adjustment policies. However, the inadequacy of

the debt or debt-servicing reductions obtained by the debtor countries had not been demonstrated. The machinery for supporting these bank debt reduction agreements, set up by the IMF and the World Bank, should be capable of being set in motion with the greatest possible effectiveness, implying inter alia, a greater flexibility of use than was possible under the present rules.

167. In conclusion, he emphasized three points; namely, that each country had primary responsibility for its own development, a principle too often forgotten; that all efforts should aim at creating a stable and favourable environment for development, notably through strengthened international co-operation; and, that industrialized countries should adopt supporting policies resulting in the release of sufficient resources and further improve the quality of their aid.

168. The representative of Nigeria said that the success of the Paris Declaration and the Programme of Action depended upon the effectiveness of national policies of LDCs and a favourable international economic climate. He called upon the developed countries to honour their pledges to strengthen the partnership based on mutual commitments.

169. Whereas for developing countries, and Africa in particular, the 1980s had been a lost decade for development, the developed countries had enjoyed uninterrupted growth. This expansion did not provide the "engine of growth " for developing countries, essentially because of escalating indebtedness, the sharp fall in commodity prices, protectionism by industrial countries, the decline in foreign direct investment and the net negative transfer of resources to developing countries. Of these factors, the heavy debt burden posed the greatest challenge.

170. Since 1982, the external debt problem of developing countries had not ceased to deteriorate, and of all the regions affected, Africa was the hardest hit. Many developing countries, including Nigeria, had undertaken adjustment programmes, with only isolated achievements so far. He expressed appreciation of the various positive efforts under the strengthened debt strategy and other more recent initiatives by some creditor Governments. However, even when fully implemented, these measures would leave the debtor countries with large amounts of debt. A meaningful solution of the crisis required both the reduction in the stock of debt and debt service, and increased flow of resources on concessional terms. Furthermore, any debt relief measure which did not address the issue of poverty alleviation and the promotion of self-sustained development was unacceptable.

171. He reiterated the comprehensive proposal made by his Government at the special session of the General Assembly in April 1990, which dealt with the debt problem and resource needs of the developing countries.

172. He also called on developed countries to consider seriously the dismantling of all tariff and non-tariff barriers affecting products from developing countries.

173. The representative of the Islamic Republic of Iran stated that though political changes boded well for the emergence of a new and healthy political world, satisfaction and hopefulness could not apply to the realm of economic life. The world economy was facing deceleration in the pace of activity, persistent stagnation in a large part of the developing world, exacerbation of

the debt situation, rampant instability in the financial sphere, ascendency of finance over industry, exchange rate volatility and high interest rates, etc. The impact of these debilitating factors on the developing economies and, still worse, on the LDCs, was inhuman morally and intolerable practically. The state of uncertainty for the developing world was the product of the existing world economic system whose dominant feature had been irrational management of resources at the global level. He emphasised that steady progress toward the attainment of human welfare on a world scale and qualitative promotion of living standards and development of the developing and least-developed countries - and not mere concentration of resources and gains in a few hands as the outcome of unbridled laisser-faire policies - required an overall development strategy with a clear human orientation.

174. Turning to the crisis in the Persian Gulf, he noted that calls for international management of the supply and pricing of the sources of energy had received attention at the current session. He welcomed the idea but pointed out that success in that field depended on concerted and well co-ordinated action on all commodities and not merely one. However, without parallel and complimentary measures to bring order to the state of chronic chaos in the existing international monetary system, the international management of commodities would prove utterly inadequate.

175. The representative of Yugoslavia said that the Gulf crisis seriously threatened economic growth and development of many developing countries, and made a solution to the debt problem more difficult. The results of the international debt strategy so far had been disappointing. Many developing countries were still faced with a high net outflow of financial resources and a decline in private foreign investment, export credits and ODA. The latest initiatives to deal with the problem were positive, but they were too inflexible and their scope too limited. An efficient debt strategy should embrace different measures to stop net capital outflow from indebted countries, and ensure efficient support to structural adjustment as well as a more flexible policy by the international financial organizations. Creditor countries should grant more official debt relief. They should use various mechanisms to encourage commercial banks to pursue new non-debt-creating investments in developing countries and ease the burden of high interest rates threatening indebted countries. The industrialized countries should improve co-ordination of their macro-economic policies, eliminate balance-of-payments and budgetary imbalances, and open their markets to developing countries. Success of the Uruguay Round was of great importance.

176. Yugoslavia had made an effort to reduce its debt and to introduce a market economy; foreign trade and foreign investment régimes had been liberalized; inflation had been brought down gradually, and a structural adjustment programme had been initiated. But these efforts had also caused a fall in income and investment and stagnation of industrial production during the past years. Yugoslavia belonged to the countries most seriously affected by the situation in the Middle East. There was a need for compensation measures to alleviate the adverse impact of the present crisis on developing countries.

177. The representative of Brazil stated that the uncertainty over the world economy, the instability in financial markets, the prospect for low growth rates coupled with high inflation, and the need to provide timely support for

the resumption of growth in developing countries were too complex and far-reaching to be dealt with and decided upon by a small number of countries. The efforts undertaken by developing countries in the 1980s to overcome their domestic and external disequilibria had failed, with a few exceptions, for lack of timely and appropriate external support. Many adjustment efforts under the supervision of the IMF and the World Bank had not achieved their goals. The question lay in the appropriateness of the sole reliance on domestic policy measures to rectify the internal and external equilibria. In the case of Latin America, the net negative flow of resources since the beginning of the debt crisis had reached $US 200 billion. For Brazil alone, net payments to creditors between 1983 and 1989 amounted to $US 60 billion. Furthermore, how was it possible to improve trade performance, implementing trade liberalization policies, in the face of growing protectionism and deteriorating terms of trade? Some of the elements of a comprehensive approach for the resumption of sustainable growth in the developing countries, included: (a) the need for adjustment in developing countries; (b) a supportive external economic environment; (c) the flow of development finance in the short- and long-term; (d) trade liberalization based on multilateralism; (e) the recognition of the interrelatedness of trade and finance. The challenge before the international community lay in creating adequate conditions supporting the efforts by developing countries to move out of the vicious circle of poor.

178. The representative of the World Bank stated that while the external circumstances of the 1980s, as determined mostly by the richer countries, had been less favourable to developing countries than before, several of them, mainly in Asia, had been thriving. The policies of these successful countries had allowed them to maintain growth and reduce poverty, by combining actions to strengthen human capital with reasonably prudent macro-economic policies, fairly efficient price systems, high investment, effective administration, and adequate scope to entrepreneurial initiative.

179. Recognizing increased difficulties associated with implementing adjustment policies in many developing countries, he stated that additional resources would be needed for these countries. These must come partly through debt and debt-service relief. He urged that maximum efforts and fresh imagination be deployed to ensure the inherited problem of the past should not frustrate adjustment efforts in the 1990s, not just in the traditional South but also in the developing countries of Eastern Europe.

180. There were two categories of environmental problems: one was the dismal and deteriorating overall environment of many poor countries caused by poverty and population pressure; and the other included those created within countries but which would affect others and the global environment. A fund had been established to help overcome the specific problem of chlorofluorocarbons in the atomosphere, and the Development Committee had urged the Bank, in collaboration with others, to complete work towards the establishment of a programme to tackle global environmental problems as well as a funding mechanism to support it.

181. As for the future impact of the Gulf crisis on the global economy, oil prices, inflation, interest rates and instability were likely to be higher and real demand and income growth lower. The deterioration of conditions would call for two complementary responses: adjustment and financing. Adjustment was indispensable in spite of its being painful. Yet adjustment should be assisted and eased by additional financing, which would be the responsibility

of the international community. The Bank group's regular resources were adequate for immediate needs, and specific actions were under way for accelerated disbursements and new lendings. If the crisis persisted, or its magnitude increased, the Bank might need to appeal for additional funds on concessional terms.

182. Explaining that prescribing adjustment policies to industrial countries was not part of the Bank's mandate, he none the less stressed that it had been more necessary than before for these countries to raise saving rates, both to finance their own investment needs and to raise the resource flow to developing countries on appropriate terms. It was urgent that a successful conclusion of the Uruguay Round be arrived at so as to reduce that element of uncertainty from the global environment.

183. The representative of Czechoslovakia stated that the world economy had become increasingly interdependent and that the traditional differences between ideological and political systems had sharply narrowed. His Government supported the process of unification of Germany as an important factor of stability in Europe. He believed the unification would have a positive impact on the world economy and would not have negative consequences for further development of mutual relations between Czechoslovakia and Germany. Referring to the crisis in the Persian Gulf, he said that it posed a serious threat to peace and economic growth of the world. To Czechoslovakia, which fully subscribed to Security Council resolution 661 of 6 August 1990, the direct losses alone were estimated at over $US 1 billion. These negative impacts should be considered in the context of the situation when Czechoslovakia was confronting a considerable decrease of oil supplies from traditional sources. The current international economic situation was complicated by such problems as volatility in financial markets, the debt overhang, protectionist tendencies in international trade and uncertainties in commodity markets.

184. Only a market economy which encouraged individual initiative, private entrepreneurship, competition and creativity of man could ensure successful development of the country, and there existed a close link between viable and effective economic systems and open and democratic political systems. Czechoslovakia was undergoing fundamental changes in its political and economic structure. The basic features of these changes were transformation of the country into a State based on a democratic, multi-party system and implementation of radical economic reform, the aim of which was transition from central planning to a market economy. This consisted of liberalization of prices, liberalization of foreign trade combined with internal convertibility of the Czechoslovak currency, advancement of the private sector, macro-economic policy controlling inflation, a policy of social guarantees and protection of the environment. In pursuing the aims of economic reform Czechoslovakia relied on an open and transparent multilateral trading system, in the framework of which the internationally agreed basic rules and principles of international trade were respected. For that reason Czechoslovakia was strongly committed to the success of the Uruguay Round of multilateral trade negotiations. He stressed that greater integration of his country into the world economy would provide new opportunities for its partners, from both developed and developing countries.

185. He announced that Czechoslovakia would take part in the activities of Group D only in respect of procedural and organizational matters.

186. The representative of Switzerland stated that uneven growth in the world economy was attributable to diverse structures and economic policies as well as to differing capacities to absorb external shocks. It reinforced the importance of exerting efforts aimed at reducing commercial and budgetary imbalances, alleviating the debt burden and strengthening the multilateral trading system.

187. The notion of interdependence had become more meaningful than ever after the outbreak of the Middle East crisis, which had had a negative impact on two groups of countries in particular: those of the Gulf region and oil-importing countries with weak economic structures. Switzerland was willing to support these countries by providing them with additional resources. Interdependence was also an expression of the international division of labour in which all countries should participate in an equitable manner. The uncertainties of the current international situation might increase protectionist pressures which could jeopardize the integration of the developing countries in the international trading system, reinforce the negative aspects of regionalism and widen the gap between industrialized and developing States. He underlined that the successful conclusion of the Uruguay Round was of paramount importance.

188. The problem of indebtedness was still a major challenge at the outset of the 1990s. Three fundamental elements of the present debt strategy were: the adjustment measures, flows of new resources and appropriate debt relief measures. Structural adjustment policies to be pursued should contribute to fostering development in a dynamic economy. Flows of new resources should enable sustained growth and attract non-debt creating flows such as foreign direct investment, an important incentive to transfer of technologies. These flows of new resources should be conditional on a prudent management of the national economy for an efficient use of those resources as well as in-depth reforms in the developing countries enabling a repatriation of flight capital. The industrialized countries should carefully apply the diligence obligations, monitor inflows of foreign capital and reinforce the provisions for international judicial assistance. Finally, debt relief measures should be supportive of structural adjustment programmes, technical co-operation achievements and favour access to capital markets. Switzerland was fully willing to participate in debt alleviation procedures carried through by the international community. To this end a new credit had just been approved by the Swiss Parliament.

189. The representative of Romania stated that the increasing economic interdependence called for renewed efforts to strengthen multilateral co-operation in promoting policies aimed at revitalizing development, growth and international trade as well as reinforcing the efficiency of UNCTAD as an instrument of international economic co-operation.

190. The informal consultations on interdependence held on 2 October outlined some approaches that could be adopted. Priority areas where action was necessary included access to markets of products and services - the Uruguay Round should lead to greater trade liberalization and UNCTAD should improve its generalized system of preferences; the volume and quality of flows of financial resources to beneficiary countries, be they developing or moving towards a market economy like those of Eastern Europe, should be improved; debt reduction, whereby joint efforts by creditors and debtors should arrive at a solution to the debt problem of the developing countries and in this

connection, measures to reduce interest rates, stabilize financial markets and exchange rates should be carried out; the Programme of Action for the 1990s in favour of the LDCs should be implemented. The uncertainties of the world economy accentuated by the Gulf crisis had had a negative impact on all countries. As a result of this crisis Romania had incurred losses amounting to $US 3 billion. To offset the unfavourable consequences of the Gulf crisis it was necessary to finance the affected countries on concessional terms and to set up a mechanism for co-operation between oil producers and consumers to ensure stable sources of supply and equitable prices. In this regard, UNCTAD should continue to examine problems arising from the Gulf crisis.

191. He stressed that, following the previous December's revolution, Romania was engaged in an irreversible process of transition towards a real democracy and a market economy. At the same time, it was undertaking sustained efforts to overcome the difficulties arising from its condition as a developing country which had inherited a critical economic situation from the former régime. Regarding Romania's radical economic reforms, he said his Government was promoting the private sector, fostering market forces and competition by liberalizing foreign trade and favouring foreign investment. Moreover, as part of its opening policy, Romania was actively participating in the Uruguay Round and had recently adhered to multilateral financial institutions such as the IFC and the European Bank for Reconstruction and Development. He finally hoped that Romania would become one of the beneficiaries of the programme of assistance of the Group of 24.

192. The representative of Kenya stated that the euphoria which had greeted the developments in Eastern Europe had not lasted long as the world community again was confronted with dislocations arising from the Gulf conflict, which added pressures to a world economy that was already showing signs of fragility. It also accentuated the need for speedy action to rescue the economies of sub-Saharan Africa, which were faced with intractable problems of poverty, population explosion and external debt. He expressed concern that the adjustment process in Eastern Europe diverted the attention of the developed countries from the plight of sub-Saharan Africa, which needed a Marshall plan after suffering from 500 years of exploitation.

193. Over 30 sub-Saharan countries had initiated structural adjustment programmes. This commitment to development must be matched by the industrialized countries through financial assistance as well as co-ordinated economic and trade policies which would not be detrimental to such development. Kenya's national development strategy was based on sound macro-economic and structural policies and it had undertaken a number of measures to increase investment opportunities. However, the success of these would depend on the mobilization of adequate finance. Full financing of the second phase of the Special Programme of Assistance to Sub-Saharan Africa as well as the implementation of the measures to stimulate external assistance to the region, which had received wide support at the Maastricht Conference, would be needed.

194. The successful conclusion of the recent Conference on the Least Developed Countries showed that the spirit of partnership existed. He hoped that this spirit would prevail in other important negotations which would shape the future direction of the world economy, such as the Uruguay Round.

195. The representative of Ecuador said that, despite the bleak situation in the Middle East, there were also several positive signs in the world economy which would open new perspectives for developing countries. These were the Initiative of the Americas, suggested by President Bush, the establishment of the European Single Market in 1992, the extraordinary changes in the Eastern European countries and the unification of Germany, and the economic rise of the Asian Pacific region. It was to be hoped that the conclusion of the Uruguay Round would facilitate access of developing countries to world markets, strengthen the international trading system, introduce legal norms against administered trade, eliminate safeguard clauses, and enable the GATT to effectively control the trade policies of the industrialized countries.

196. Although some progress had been achieved with respect to the debt strategy, the technical innovations in dealing with the debt overhang had to be supported by a clear political will to solve the problem; otherwise, the coming decade might again be lost for development. It was necessary to treat the issues of trade, finance, debt and development together and to establish a new international monetary and fianancial system based on the principle of equality among countries.

197. He said that UNCTAD was the most important forum for fostering development. To this end it was necessary to combat the tendencies towards falling primary commodity prices, to eliminate trade barriers, and to assure compliance with the basic principles of the GSP. The work of UNCTAD should also extend to the issue of sustainable development, taking into account the "ecological debt" owed by the developed to the developing countries.

198. The representative of the United Kingdom said that the Board met under the shadow of Saddam Hussein's illegal and unjustified invasion of Kuwait. Most developing countries would be worse off. Some had lost a great deal of foreign exchange through lost remittances and all would suffer from the negative effects on the level of growth in the world as a whole. He indicated that previous oil shocks had shown the importance of the prompt adoption of appropriate adjustment measures and the problems which arose from market borrowing to finance delays in adjustment. However, he acknowledged that additional external finance would be needed. In this respect the United Kingdom welcomed the formation of the Gulf Crisis Financial Support Group, which would co-ordinate finance for the most affected countries. Other affected countries could look to the IMF and World Bank for the assessment of their balance-of-payments financing needs. This assessment would also form the basis for consideration by the Paris Club and bilateral donors of possibilities for extra help. It was important that the costs arising from the Gulf crisis should be fairly shared among all countries able to make a contribution.

199. He referred to several important themes which had recently emerged from other forums within the United Nations system and other international conferences, including the recognition that development was a partnership between industrialized and developing countries; the increasing awareness that good government and protection of human rights were fundamental to successful economic development; and the emergence of the environment as a central theme in international economic and development issues.

200. He stated that the importance for both developing and developed countries of a successful conclusion of the Uruguay Round could not be overemphasized. The GATT must be strengthened and extended if it were to resist mounting pressures towards protectionism and unilateralism which would above all hurt developing countries. He added that the GATT would only remain effective if countries took on an increasing share of the GATT responsibilities as their degree of development grew and that the commitment of developing countries to the GATT system must be strengthened if it was to survive. All Contracting Parties must demonstrate their commitment to the GATT through their contributions to the Uruguay Round agreements.

201. He noted that increased external financing, including debt reduction and debt relief, could play an important part in supporting developing countries' reform efforts. He pointed to four particularly noteworthy recent developments in the debt strategy. Firstly, the arrangements under the Brady initiative were now well established. Secondly, some donors who had not cancelled all their aid debts to the poorest countries had taken further steps to do so. Thirdly, the Paris Club had recently agreed to lengthen repayment periods for rescheduling debts of lower middle-income countries owing most of their debts to official creditors. Fourthly, he outlined recent proposals by the United Kingdom Chancellor of the Exchequer for increasing the concessionality of the Toronto terms through the cancellation of two-thirds of a debtor's entire official bilateral debt with repayment of the remainder tailored to match the debtor country's improving debt-service capacity over a period of 25 years, with 5 years of grace. The eligibility criteria would remain broadly identical with those of the Toronto scheme.

202. The representative of Sri Lanka stated that various imbalances and crises had emphasized the need for a more vibrant and integrated world economy and that enchancing the spirit of international co-operation could remedy the situation. Developing countries had embarked on bold economic programmes to restructure their economies but had found obstacles to their adjustment in developed countries' unwillingness to provide market access and give the necessary leadership to multilateral trade negotiations as well as in the pursuit of policies which were not cognizant of the aspirations of the major part of the world.

203. The world economic outlook did not augur well for developing countries. Any further decline in their export earnings could adversely affect their structural adjustment programmes. They would like to see a system of multilateral trade that would lead to global expansion wherein output and employment were optimized in all countries. The formation of regional blocs was viewed as impeding the growth of such a system. Moreover, there seemed to be lack of deep commitment to free trade that would have allowed the Uruguay Round to gather momentum, but he was still hopeful for strong political support to achieve tangible results in Brussels.

204. Lack of growth due to limited resources and aggravated by discriminatory access to markets intensified payments problems and the debt situation of developing countries. The Brady initiative had made headway in providing some debt and liquidity relief but what was required was a comprehensive approach taking into account the need to increase lending for income generation and to enhance repayment capacity. The international monetary system should also be reformed and technology transfers to developing countries should not be obstructed but should be made possible under reasonable and concessional terms.

205. The representative of Bulgaria said that his country shared the opinion expressed in the Trade and Development Report, 1990 that co-ordinated international measures were becoming increasingly necessary to limit speculative international capital flows which were becoming the main source of instability in the international monetary system. Bulgaria was undergoing a profound economic and political change towards a multiparty democracy and there was no alternative to the establishment of an efficient market economy. This process of changes was irreversible. As regards international relations, his Government would pursue a more pragmatic policy and intended to build its relations with other countries on the basis of mutual interest and equitable co-operation within its economic capacities.

206. He stressed that Bulgaria had been severely damaged by the restructuring of the CMEA trade mechanism and the crisis in the Gulf. His Government had the firm intention to implement fully the Security Council sanctions against Iraq. He quoted figures of the losses of Bulgaria due to the implementation of the embargo which totalled $US 1.4 billion up to the end of 1990. This included a drop in crude oil supplies of 30 per cent.

207. His Government was aware that Bulgaria should be integrated harmoniously into world production and trade patterns and would have to work its way out of the present crisis primarily through its own efforts. At the same time, international support and understanding would substantially facilitate and speed up the process.

208. Concerning the debt problem, he said that it should be approached and solved in the interests of both creditors and debtors and attention should be paid to indebted countries in transition from a centralized to a market economy. He supported the UNCTAD secretariat's conclusion in the Trade and Development Report, 1990 that new lending to reforming East European countries would not endanger the growth prospects of other debtor countries, and suggested that further research would be useful to clarify the content of such formulations as "adequate debt relief", "adequate international support" and the like. The elaboration by the UNCTAD secretariat of new economic incentives for creditors and investors would also be very practical.

209. Bulgaria would take part in the work of Group D on the understanding that at present only procedural and organizational matters were involved.

210. The representative of Viet Nam stated that developments in the sphere of money, finance and debt had not supported dynamic economic growth and development in developing countries. New policies by developed countries to support the developing-countries' development efforts were urgently needed. He emphasized the considerable decline in commodities prices, barriers to the access of developed countries' markets, weak capacity in the production of manufactures, and the reverse trend of comparative advantage, stating that the international community should bear greater responsibility for trade promotion in favour of developing countries. While recognizing the role of the GATT in international trade, he felt that UNCTAD's importance as a universal body integrating trade and development had to be enhanced. In particular, all UNCTAD activities should be strengthened to enable it to carry out its mandate. Appropriate attention should be given to the preparation of UNCTAD VIII, and he specified that its agenda should encompass, as a separate item, the transfer and acquisition of technology for the development of developing countries. His delegation felt that the work of the Committees on Commodities and Manufactures should be more closely linked, if not integrated.

211. Referring to the far-reaching reforms undertaken by his Government since 1986, and in particular from 1988, which had brought about profound changes and had begun to record important results, he said the building of a market economy regulated at the macro level with appropriate reform in the field of economic management had been proceeding favourably. Viet Nam was endeavouring to improve and expand its co-operation with all other countries irrespective of socio-economic systems, and was open and committed to international and regional economic co-operation, and it appreciated the positive response of a growing number of developed and developing countries as well as foreign business circles. He recalled the efforts made for the normalization of relations between Viet Nam and the United States on the one hand and the People's Republic of China on the other.

212. The representative of the International Confederation of Free Trade Unions regretted that the Second United Nations Conference on the Least Developed Countries had been unable to reach unanimous agreement on an increase in ODA for the LDCS, or even a commitment to honour the agreed target of 0.15 per cent of GNP. National development failures had domestic as well as external causes and in many cases there had been an absence of democratic processes which were a prerequisite for economic and social progress. Future efforts should be based on genuine popular participation in policy formulation and implementation. Moreover the international financial institutions should adopt a broader approach to structural adjustment involving popular participation - which meant the full involvement of trade unions and of employers' organizations - in structural adjustment programmes. They should also reflect upon the appropriateness of granting assistance to clearly repressive régimes. ICFTU had long advocated inserting a social clause in the GATT Treaty which would make trading privileges dependent upon respect for basic worker rights. Such an instrument could help stimulate the development process and international trade. A global solution to the debt crisis remained a precondition for progress in all areas of concern to UNCTAD. The Brady Plan was an important conceptual breakthrough, although there seemed little prospect that sufficient additional resources to make that concept a reality would be forthcoming from the industrialized world. For this reason, President Mitterand's suggestion of an increased issue of SDRs for debt reduction should be given particular importance. Commercial banks should also assume a large part of the costs - and if necessary be compelled by law to do so. Likewise, Governments of the developed countries should give urgent priority to the writing-off of debt, in particular in respect of the LDCs.

213. The representative of the USSR, speaking on item 4, noted that certain positive steps had been taken towards solution of the debt problem and cited as examples the Toronto agreements, the Brady plan, and the creation of special IMF and World Bank Funds for concessional financing of structural adjustment. The search for a solution to this problem should be made on the basis of consensus, taking into account the interests of all parties, with the recognition that in many cases debt repayment on the initial conditions was impossible. He shared the concern of the UNCTAD secretariat, expressed in the Trade and Development Report, 1990, that inflows of the new bank lending and export credits to the developing countries would not be forthcoming. As a result, further net outflows of financial resources from many developing countries could continue to grow.

214. Despite the internal economic difficulties of the USSR, his country continued to be a net creditor of developing countries. During the last years, the Soviet Union had taken a number of concrete measures to alleviate the debt burden of these countries, including concessions on repayments, reschedulings, and partial writing-off of the principal, as well as the refinancing of indebtedness on concessional terms. Some additional measures were being considered for submission to the USSR legislative bodies, including conversion of debt obligations into the capital of joint ventures.

215. The Soviet Union was ready to participate in the existing multilateral machinery for resolving the indebtedness problems of the developing countries. The effective development of third world countries in the 1990s needed economic reforms in these countries and more effective mobilization of their own financial and human resources. UNCTAD could summarize the positive experience of different developing countries to help resolve the indebtedness problem, using the external assistance in conjunction with internal reforms.

216. He expressed the hope that this issue would receive priority attention during the preparatory process for UNCTAD VIII, and that the Conference itself would open new prospects for its solution.

217. The representative of Chile stated that the time was now propitious for the growth of a new age based on new values and new institutional structures, an age which would generate creative work and give rise to enthusiasm of people united and motivated by common aspirations. He, like previous speakers, wished to emphasize strongly the human aspect of development; an economy that was not conceived for all men was immoral. While neither the Uruguay Round nor UNCTAD VIII were proper forums to discuss philosophical or theological problems, the pragmatic side of any agreement would produce lasting results only if it was subordinated to ethical and moral values. Attempting to find pragmatic solutions to the problems of the present century would not ensure peace and stability in a world where inequality multiplied. Pragmatism was synonymous with systematic egotism. It was utopian to think that there would be growth without democracy and democracy without social justice. Trade, which was the living example of the link between geographically remote countries and an important element in the transfer of knowledge and multiplication of human contacts, was becoming an instrument of exploitation.

218. The debt crisis was directly related to the development of trade and was still governed by outflows of financial resources from the developing to the industrialized world. Indeed, between 1970 and 1987, the amount of the debt had tremendously increased while trade and commodity prices had experienced a drastic 50 per cent fall. In the meantime, less than one third of the industrialized countries honoured the United Nations ODA targets of 0.7 per cent and 0.15 per cent of their GNP to the developing countries and the LDCs respectively. External indebtedness could only be solved through international solidarity and the belief in fundamental ethical values. The objective of the economy was to serve man and not the contrary.

219. The representative of the Philippines drew attention to efforts within the Uruguay Round to introduce more stringent rules on the invocation of Article XVIII.B of the GATT, on the right of recourse of developing countries to redress their balance-of-payments difficulties. She considered that

such an amendment to the existing arrangements in the GATT would be counter-productive. Nevertheless, there was a need for strengthened and more predictable international trade rules as these would best serve the interests of developing countries. The latter were painfully aware that limiting imports to address balance-of-payments problems was not a viable long-term strategy, as it would choke off delicately nurtured economic growth and trigger increased protectionist tendencies on a globally damaging scale.

220. She identified several difficult policy contradictions facing developing countries. How were developing countries to improve their trade performance when the scope for adjustment was severely limited by heightened protectionism in developed countries such as the imposition of countervailing and anti-dumping duties and other forms of harassment? How were developing countries to improve their import capacity when scarce foreign exchange was increasingly absorbed by their onerous debt-service burden and where international finance critical to their public investment programmes was rapidly drying up?

221. Developing countries would perform best if they operated in a global environment conducive to their progress. The main responsibility for affirmative action rested with the industrial countries, which must provide growing markets that remained open and accessible. It was equally important that financial flows from developed to developing countries should be increased, in terms of both debt-related flows and non-debt-creating flows. These resource flows had declined steadily throughout the 1980s. In addition, lasting and viable debt relief for heavily indebted countries was needed. While the Philippines applauded the recent progress in global efforts to bring about debt and debt-service reduction, it was however appalled by the present unacceptable phenomenon of a huge negative net transfer of resources to developing countries. Developing countries were making radical changes in their economies at great social and economic costs. However, an effective market-oriented system required meaningful action on all fronts: trade, debt, and development finance.

222. The representative of Mexico stated that with the profound transformation in international economic relations arising from recent events, there was reason to hope that a collective will to correct imbalances in the world economic system would prevail. A new concept of international co-operation was needed, for a world with such inequalities could not be stable.

223. Develcping countries had undertaken structural adjustment and liberalization measures which did not find support in new finance or greater access to markets of developed countries. Moreover, the latter had adopted policies which had led to greater instability in exchange rates and higher interest rates. A system must be designed to evaluate the impact on developing countries of policies adopted by developed countries and financial and monetary institutions and to ensure proper policy co-ordination. He noted that, so far, negotiations at the Uruguay Round had not led to a more liberal multilateral trading system which would contribute to growth and development. It would require the political will of everyone concerned to adopt measures of the magnitude called for by a truly transparent system.

224. As to the debt crisis, the major deterioration in the economic and social situation of developing countries now posed a threat to global stability. The negative net transfers of heavily indebted countries had been aggravated by

the unavailability of new loans, deteriorating terms of trade and a fall in the prices of commodities. While the need for reduction in debt and debt service had been accepted as a central element to the solution of the debt problem, much remained to be done to reactivate growth and development.

225. Finally, he stated that the preservation of a safe environment was a common good which would only be compatible with development to the extent that each country assumed its proper responsibility. UNCTAD would have an important role to play in the 1992 Environmental Conference by reinforcing the development dimension within an environmental perspective.

226. The representative of the Democratic People's Republic of Korea stated that developing countries had suffered greatly in their painful structural reforms, and that they alone had borne the burden of structural adjustment. The setbacks of the 1980s were largely the outcome of the contradictory policies followed by the developed countries and the sudden drying up of capital flows to the developing economies, whose share in world trade had stagnated due to the rising tide of protectionism by the developed countries and to ever deteriorating terms of trade. It was high time for the international community, including UNCTAD, to adopt a mechanism for lifting protectionist barriers. The prices of commodities of special interest to developing countries should be stabilized through international agreements, and the Common Fund should operate actively in both price stabilization and diversification of commodities. The principles of non-discrimination and multilateralism in international trade had been neglected, as had the generalized non-discriminatory and non-reciprocal character of GSP.

227. In an increasingly interdependent world development would be easier to achieve in a favourable international environment. To brave the policy challenge of the 1990s, namely to ensure development amid a rapidly changing world economy, UNCTAD VIII should adopt appropriate measures to bring a satisfactory solution to the interdependent problems of trade, development finance, transfer of technology, and the international monetary system. The recommendations and proposals in the final report of the South Commission should be given due consideration at UNCTAD.

228. The social system freely established by the people in his country corresponded to their socio-historical conditions. Any attempt to enforce the introduction of a market economy on such people simply would not work because they considered it as the revival of the colonial past. His country would continue to strengthen its independent self-reliant national economy while promoting bilateral and multilateral co-operation based on equality and mutual benefit.

229. The representative of Indonesia stated that despite developing countries having made necessary, often painful, adjustments, most continued to suffer from economic stagnation and structural imbalances. They still had to bear a heavy debt burden, steadily deteriorating terms of trade, and a lack of capital which had been further aggravated by net transfer of resources to international financial institutions. A wide array of protectionist barriers erected by the developed countries against developing-countries' exports as well as the uncertainties created by the instability of financial markets, exchange rates and interest rates, had further compounded the difficulties faced by the developing countries.

230. Inadequate resources to finance programmes to enhance the well-being of the population were among the main causes of widespread poverty, unemployment and inequities in many developing countries. Concerted efforts were required to invigorate the world economy and revitalize the development of the developing countries. She welcomed the successful conclusion of the Paris Conference and expressed the hope that its Programme of Action would assist the members of the LDCs in promoting their development.

231. The restoration of the development process and the effectiveness of structural reforms in developing countries required a conducive external environment. This encompassed a solution of the debt problem, positive transfer of development resources to developing countries and the amelioration of the international trading and monetary systems. Thus a balanced and successful conclusion of the Uruguay Round negotiations, taking into account the interests of all countries, particularly the sustained development of the developing countries, would be of vital importance.

232. As for the debt problem, the adoption of a comprehensive strategy covering the whole range of indebted low and middle-income developing countries also remained very important. Concerted efforts by Governments of creditor and debtor countries, international financial institutions and commercial banks on the basis of shared responsibility should be taken to support growth in the developing countries.

233. The representative of Venezuela stated that the developing countries had to cope with the current situation of the world economy characterized by asymmetry and inequality. It was all the more difficult for them to confront its increased instability as they were not endowed with adequate institutional mechanisms to struggle against the negative repercussions of the international economic system. The present development crisis remained overloaded with the problem of external indebtedness, which constituted a heavy burden for many countries, in particular the Latin American countries - among them Venezuela. The complex international financial situation was still dominated by reverse transfer of resources and diminishing flows of new resources to the indebted developing countries. Acknowledging the efforts of the multilateral financial institutions to solve the indebtedness problem, he observed, however, that these initiatives had failed to bring forth a clear definition of responsibilities between creditors and debtors. Their application remained restrictive as debt reduction was not the objective. Moreover, the assistance provided to the developing countries continued to be conditional on structural adjustment programmes which imposed heavy economical, political and social sacrifices. Individual adjustment endeavours could only be successful within a framework of international co-operation aimed at stabilization and economic growth.

234. International co-ordination was greatly needed in order to grapple with the negative effects arising from the Gulf crisis. His country, as an oil producer, strongly supported the efforts displayed by organizations such as OPEC to stabilize energy demand thus benefiting those developing oil-importing countries which had to bear the brunt of the energy crisis. He underlined the necessity of maintaining "adequate prices of this commodity in order to guarantee the ordinary revenues of producing countries as well as sufficient resources to finance investments which assure the current levels of oil production". He reiterated the proposal made by the President of Venezuela at the General Assembly that an oil conference be held between producers and

consumers, under the auspices of the United Nations, in order to face the urgent political realities of the oil situation. This conference should be preceded by meetings of OPEC and the International Energy Agency.

235. As far as world trade was concerned, he underscored the need to strengthen the multilateral trading system. In this regard he mentioned that Venezuela was now adhering to the GATT and hoped that the conclusions of the Uruguay Round of Multilateral Trade Negotiations would enable the developing countries to have greater access to international markets. Towards this end he referred to a meeting of the Ministers of the Group of 15 and other developing countries in charge of GATT matters that would be held in Geneva, beginning in November, in order to prepare an important contribution to the Uruguay Round negotiations.

236. The representative of Austria said that there was evidence to support a more optimistic view of the development possibilities of the developing countries than stated in the Trade and Development Report, 1990. Nobody was automatically excluded from economic progress and there existed a growing number of examples of how to go about it.

237. Regarding the relative importance of the external environment and of domestic measures, he stated that those countries which, rather than trying to change the external environment, had concentrated their efforts on far-reaching adjustment to the prevailing external conditions had reaped substantial benefits. There was no alternative to adjustment. Global management of the world economy against market forces was not realistic - it had not worked in the past and could not work in the future. Governments were called upon to adopt a whole series of measures to enable their economies to respond properly. For example, there were ways and means to influence the distribution of income in a country. This along with priority to education, health care and basic nutrition for the poorest classes of society was not only a moral obligation, but also a good economic investment. It could be financed by reducing military expenditures, inefficient and overgrown bureaucracies and ill-targeted social programmes. On the other hand, reform in one area invariably required adequate measures in all other areas, so that such problems as adjustment, stabilization and liberalization should be tackled at the same time as promoting growth and protecting the most vulnerable groups.

238. He felt UNCTAD VIII would offer an excellent opportunity to reach a common understanding as to the underlying principles of the development process which were identical for developed and developing countries alike.

239. The representative of the United States, reviewing the economic consequences of the Persian Gulf crisis, said that the greatest harm done by Iraq's illegal aggression against Kuwait was to Kuwait and its people. Serious problems had also emerged for other countries as had been heard from delegations at the current Board session.

240. In response to this challenge, President Bush had announced the formation of a Gulf Crisis Financial Co-ordination Group with the aim of achieving effective, timely, and sustained financial support to those most seriously affected countries. The IMF and World Bank had been called upon to help the international community by providing a combination of policy advice and financial assistance. The Security Council had been undertaking consultations

with those countries suffering special economic problems as a result of their implementation of Security Council resolutions. Concerning oil supplies, the International Energy Agency had announced that oil markets remained adequately supplied and that recent oil price fluctuations were thus in large measure driven by the external political uncertainty in relation to the Gulf crisis. In addition, oil-consuming countries were engaged in a continuous bilateral dialogue with oil-producing countries to ensure adequate supplies. Under these circumstances, the United States did not believe that any further mechanism was required to stabilize oil prices.

241. Finally, he stated that all countries had been damaged economically by Iraqi aggression against Kuwait. To resolve the economic consequences of the Persian Gulf crisis, it was absolutely necessary for Iraq to withdraw from Kuwait and free all foreign hostages immediately and for all countries to fully and faithfully implement the relevant Security Council resolutions.

242. The spokesman for the Group of 77 (India), speaking on item 3, commented on certain points made during the debate to help clarify the understanding of interdependence and the mandate of UNCTAD. Any debate on interdependence in UNCTAD must focus on the policies of those countries which sent out the larger waves in the world economy and which had the weight and capacity to impede or accelerate development in developing countries. Interdependence was about democracy in the management of the world economy and about making the world more equal. It was about the rules of law and equality before law, not rule by a few for the few. It was about making the international transmission system in the area of trade, finance and money more effective and efficient in distributing positive impulses for economic growth and development in developing countries. It was about preventing the kind of distortion and asymmetries that had characterized global development so far, where some countries had developed at the expense of, and not for the benefit of, four fifths of humanity.

243. UNCTAD was at the centre of the quest for genuine interdependence. Its mandate was to evolve policies and measures in the area of trade and development with a view to accelerating the economic growth and development of developing countries. The mandate was not to focus on the national policies of developing countries or to advise them on how to achieve small, measured development. Instead UNCTAD was to come forward with valuable ideas and provide a forum for negotiations between developing and developed country partners in the development dialogue for a rational management of interdependence with a view to accelerating economic growth and development of developing countries. If no dent was made on want and misery in the world, it was not because UNCTAD had failed, but because the member States did not heed its warnings and advice. He briefly commented on the suggestion that UNCTAD should follow in the footsteps of some of the other international institutions and focus on the domestic policies of developing countries, analyse what "went wrong" and evolve a universal prescription for successful development. If UNCTAD were to follow this suggestion, it would have to depart from its mandate and abandon its role as an advocate of equity and justice in international economic relations. Also if UNCTAD's voice was muffled, it would give the impression that the emphasis on national policies and self-help by developing countries was a sort of charm by which developed country partners might be trying to get loose from even the limited engagement and commitment of development co-operation that they might have undertaken to discharge. What the developing countries needed was a forum where they could

impress upon their developed country partners how their efforts towards accelerated development would be helped and how they had been hindered by the actions and policies of economies over which they had no control.

244. Democracy was important for development and the world's largest democracy was a developing country. What was needed was a dialogue on how a Marshall Plan for the developing world could be evolved so that the revival and acceleration of the development in the developing world permitted the emergence of political and social conditions in which free institutions could exist. Even if a fraction of what the then United States Secretary of State had in mind - in current money value $US 400 billion - were to be deployed in affirmative action towards the developing countries it would go a long way in banishing poverty and making the world safe for democracy. Hence, the need of the hour was not the denial of the role of aid transfers, but its affirmation as the very basis of interdependence.

245. He emphasized that there should be recognition that development itself was a process of structural adjustment in developing countries, which was vulnerable to external factors and shocks. Therefore, development co-operation should go hand-in-hand with development efforts of developing countries without begging the question of the relative importance of national and international factors in development. UNCTAD should not become a forum for preaching any kind of development orthodoxy. There could not be a universal prescription, as inherited structures and resources in developing countries varied. In formulating economic policies, there had to be a proper mix between regulation, management and intervention and the reliance on market signals. This mix was at best left to each country to evolve in the light of its domestic social consensus, resource position and capacity and level of development.

246. The Director, Co-ordinator of Resources for Development Programmes, commenting on points raised relating to the Trade and Development Report, 1990, noted that some speakers wished that the Report had focused on domestic policies of developing countries. He recalled that the previous year's Report had dealt extensively with the adjustment experience and domestic adjustment programmes of the least developed countries. It had also dealt with the fiscal problems of debtor developing countries and policy issues related to fiscal management in those countries. The last CIFT session had adopted a work programme which focused on domestic policies for the generation and mobilization of domestic savings and the adjustment experience of countries. In the informal discussions leading to that decision, the need to ensure sufficient differentiation between the topics taken up under interdependence and debt at Board sessions and the work of the Committee had been raised. It was argued that the Board would continue to be oriented towards questions of debt, external financing and the external environment while the work of the Committee would be oriented towards the domestic mobilization of finance and domestic policies. Thus the work of both bodies would complement each other and together constitute a balanced whole. This notwithstanding, the secretariat considered the examination of domestic policies and their relationship to the external environment as an essential part of its work programme and that the work should appear in the Trade and Development Report. Plans for next year's Report called for an extensive analysis of domestic savings and the operation of domestic capital markets. However, the secretariat felt that the Report should also be used to explore other issues within UNCTAD's purview.

247. Although the implications of the internationalization of finance for the level of interest rates were developed, the secretariat saw Part II not as an examination of the external environment but rather as an examination of the functioning of markets. This seemed to be an important avenue of inquiry as the demise of command economies had focused increased attention on the roles of markets in organizing economic activity, and increased integration and globalization of markets influenced the manner in which markets operated and the relationship between markets and public policy.

248. As to the orientation of the secretariat's analysis, he disagreed with the Canadian delegation's description of the secretariat's approach to policy problems. The whole thrust of the secretariat's policy proposals in Part II of the Trade and Development Report was that discouragement of speculative capital flows should be brought about by measures that worked via the price mechanism and were thus market-oriented. A tax on exchange transactions did not seek to allocate foreign exchange among individual actors or to decide which transactions should go forward. This was left to the market subject to the pricing mechanism-cum-tax. This was the very opposite of dirigiste.

249. As to trade in services, what the Trade and Development Report had tried to emphasize was the importance for developing country Governments of maintaining control over the process of financial liberalization. Emphasis was also given to the disparity of developing-country situations and the significance of the difference in the levels of development of their systems of financial regulation.

250. He assured the representatives of Hungary and Poland that full note had been taken of their comments on the Trade and Development Report, 1990.

251. The representative of Iraq, speaking in exercise of the right of reply, regretted the need to take the floor for a second time but said that it was necessary in view of the statement made by the United States. He rejected the term "Iraqi aggression" used in the United States statement. The United States should be the last to speak or interpret the meaning of aggression. Its history was full of such aggression. He had taken pride in the resolutions of the Security Council, but if he forgot the world did not forget the stand of his country in the Security Council and its veto of all the resolutions relating to the rights of the Palestinian people. He had spoken of the impact in other countries of this crisis, but all knew that the impact was the result of the presence of his country's forces in the area and its threat of a destructive war under the pretext of defending law, with the purpose of controlling the sources of oil and resources of the people in the area. He asked what action the United States had taken in its history to resolve the third world's economic crisis. Iraq wished to ease the suffering caused by this crisis and it had offered its oil to developing countries. It should not be forgotten how the representative of the United States a few days ago had attacked UNCTAD in his usual dismissive manner, instead of providing solutions to the world crisis. He emphasized the need for this Board to be a forum for resolving the economic crisis and not to be exploited for political dogma which created more tension. If the representative of the United States wished to provide advice to resolve the crisis, he should advise his Government to withdraw its troops from the area.

252. At the 778th meeting, on 8 October 1990, the spokesman for the Group of 77 (Chile) introduced a draft resolution entitled "Debt and development problems of developing countries" (TD/B/L.905), submitted by Senegal on behalf of the States members of the Group of 77.

253. At the 779th meeting, on 9 October 1990, the spokesman for the Group of 77 (India) introduced a draft resolution entitled "Economic consequences of the latest crisis", submitted by Senegal on behalf of the States members of the Group of 77 (TD/B/L.907).

254. At the 780th meeting on 12 October 1990, the spokesman for the Group of 77 (India) expressed his deep sense of disappointment at the Board's inability to reach a consensus on the text of the draft resolution "Economic consequences of the latest crisis" (TD/B/L.907).

255. The Group of 77 for its part had shown the utmost flexibility by making a series of proposals designed to take into account the objections raised by Group B, despite its conviction that these objections were not valid.

256. The Group of 77 had just been told that the adoption of such a resolution by the Board would contravene the provisions of Article 12 of the United Nations Charter. The Legal Adviser of UNCTAD had nevertheless stated that the Trade and Development Board might address a recommendation to the General Assembly on this subject. The Board had also been informed that the General Assembly already had this item on the agenda of its current session, from which it was quite clear that the provisions of Article 12 did not preclude the General Assembly from dealing with this matter.

257. Nevertheless, in an effort to accommodate Group B's viewpoint, the Group of 77 had offered not to prejudge the issue of competence and suggested that the Board adopt a neutral wording, merely recommending the measures embodied in operative paragraph 1 without addressing the recommendation to any particular body.

258. Next his Group had offered to include the substance of the draft resolution with such modifications as could make it generally acceptable, in the text of the general resolution on interdependence.

259. Finally, his Group had suggested that the text on this subject already agreed in the resolution on debt be incorporated either in the operative part of this draft resolution or in the text of the general resolution on interdependence.

260. Regrettably none of these suggestions had found acceptance with Group B. It was a pity, therefore, that because of the rigid stand taken by Group B, the Board had been unable to pronounce itself in clear terms on this issue of the utmost importance.

261. The Group of 77 was, therefore, left with no choice but to request that the text of this draft resolution be included in the report of the Board.

262. The spokesman for Group B (Germany) observed that the spokesman for the Group of 77 had indirectly blamed Group B for a lack of political will to address an issue of such crucial interest to the developing countries. Yet, it was the spokesman for the Group of 77 who had drawn attention to the legal

problems which Group B had raised. The Secretary-General of UNCTAD had informed the Board that the Legal Counsel of the United Nations was not able to give a final legal opinion on the issue at short notice. On such a delicate issue, Group B felt that a clear legal ruling was necessary from the Legal Counsel.

263. As to the substance, he recalled the reactions of developed countries and international financial institutions with respect to the difficult situation of countries as a consequence of the Gulf crisis. He drew attention furthermore to the will demonstrated in the resolution on debt containing the appeal supported unanimously by all Group B countries: "urges the multilateral financial institutions and the donor countries to take appropriate steps to assist effectively developing countries adversely affected by the late t crisis. In particular the multilateral financial institutions are invited to respond promptly, flexibly and with expanded resources to the needs of the present situation and play a catalytic role in mobilizing additional assistance". What more was wanted? He did not understand the reasoning behind the accusations against Group B. The words he had quoted were not empty but were being transformed increasingly into concrete action.

Action by the Board

264. At the 781st meeting, on 17 October 1990, the Board adopted without dissent draft resolution TD/B/L.910 on item 3, submitted by the President as a result of informal consultations (for the text, see part I above, resolution 387 (XXXVII)).

265. The Board further decided to annex to its report draft resolution TD/B/L.907, entitled "Economic consequences of the present crisis", submitted by Senegal on behalf of the States members of the Group of 77 (see annex III below).

266. Also at the 781st meeting, the Board adopted without dissent draft resolution TD/B/L.909 on item 4, submitted by the President as a result of informal consultations chaired by Mr. N. Elaraby (Egypt), Vice-Chairman (for the text, see part I above, resolution 389 (XXXVII)).

267. Draft resolution TD/B/L.905 on item 4, submitted by Senegal on behalf of the States members of the Group of 77, was withdrawn by its sponsors.

Statements made at the conclusion of the debate on items 3 and 4

268. The spokeswoman for the Group of 77 (India) said her Group was happy that in paragraph 1 of resolution 387 (XXXVII) the question of structural adjustment had been put in the context of not only national priorities, objectives and needs but also capacities in the international economy and that all countries had been asked to undertake structural adjustment. Her Group also saw the mention of poverty alleviation, equitable burden-sharing and participative democracy with due respect to national sovereignty as conditions and objectives for development in both the national context and international context, since to realize these objectives and conditions actions were necessary at both the national and international level. Also what was advocated nationally could not be denied in the international context.

269. Her Group attached great importance to paragraph 2, which underlined the need to restore a long-term approach to development and look beyond short-term adjustment. It also valued the need for those countries with greater capacity and impact on the global economy to shoulder their responsibilities for bringing about development in keeping with their capacities and impact.

270. The Group of 77 greatly welcomed the political will displayed in paragraph 3 by developed countries, which had undertaken to provide additional resources to developing countries for their development efforts as well as to support structural adjustment efforts. It particularly appreciated their commitment to do their utmost to contribute to the necessary action for development. The appeal to international financial institutions to enhance and improve the quality of their aid to developing countries was also welcome.

271. The call to all Governments engaged in the Uruguay Round to reaffirm their determination to achieve balanced results for the benefit especially of developing countries was both timely and appropriate.

272. Paragraph 5 highlighted the financing gap that developing countries faced and focused on the need for all countries to increase their level of savings so as to release extra financial resources commensurate with investment and development needs of developing countries and was also an important element of a coherent strategy for bridging the financing gap. The Trade and Development Report 1990 had highlighted the fact that developing countries had shown widespread improvements in their savings ratios but it had not been possible to plough these savings into domestic investment because of outflows connected with debt servicing and other related outflows. Her Group, therefore, expected its developed-country partners to do their utmost also in this regard to achieve sustained and sustainable development. The International Development Strategy contained an agreement to explore modalities and mechanisms to channel existing surpluses in developed countries for productive development purposes in developing countries.

273. Lastly, her Group welcomed the call to make the international economic environment more favourable and conducive to development through initiatives in a number of important areas identified in the resolution.

274. The representative of Bulgaria said his country had joined the consensus on resolution 388 (XXXVII) on debt because it was well aware of the serious problems which the developing countries were facing. It did so with the understanding that it was not only the Gulf countries that had been severely hit by the Gulf crisis. The direct losses alone incurred by Bulgaria by the end of 1990 would amount to $US 1.4 billion. These figures were not as high as those of the losses suffered by some other States; they were, however, much greater if viewed from a per capita point of view, not to mention the problems created by the non-delivery of more than 3 million tons of oil, which confronted Bulgarians with disaster if the winter was long and harsh.

275. He emphasized that the last paragraph of this resolution, in which UNCTAD called upon the multilateral financial institutions and donor countries to take appropriate steps for playing a catalytic role in mobilizing additional assistance for the adversely affected developing countries by the crisis, was inter alia of particular relevance for Bulgaria.

276. The spokesman for Group B (Germany) said that his Group disagreed with the wording found to describe the Gulf crisis in the preamble and paragraph 2, namely, "latest crisis". All were well aware that the crisis was about the Iraqi aggression against Kuwait, which was referred to with appropriate wording in a number of Security Council resolutions.

277. The representative of Poland, said that his country had joined the consensus on the adoption of resolution 388 (XXXVII) because it understood the grave problems these countries faced with respect to their external debt.

278. However, he stressed that, in line with the letter and spirit of Board resolution 375 (XXXVI), Poland considered the debt issue to be a global one, not pertaining exclusively to a single group of countries. In view of the foregoing his delegation was strongly convinced that the debt and debt-servicing problems of other heavily indebted middle-income countries, especially those, like Poland, that found themselves in the difficult process of adjustment required by their transition from a command to a market-based and export-oriented economy, should also be given adequate consideration by the international community with a view to alleviating their difficulties and easing the burden of their debt and its servicing cost. This was all the more so as Poland was among the countries most heavily affected by the Persian Gulf crisis and bore the considerable cost of joining United Nations sanctions imposed in response to the crisis.

279. Poland believed that UNCTAD should keep these problems and difficulties in view while considering the debt issues, which should be dealt with in UNCTAD in their global dimension.

280. The representative of the United States stated that one paragraph of resolution 388 (XXXVII) referred to the recommendations of the Second United Nations Conference on the Least Developed Countries. While the United States had joined in the consensus on those recommendations, his Government had entered a formal reservation on one paragraph which dealt with debt relief measures as they applied to the multilateral institutions. This being so, he had been asked by his Government to repeat a portion of the text of its final statement at the Conference on the Least Developed Countries in the context of joining the consensus on the resolution which the Board had just adopted, namely:

> "The reasons for this reservation are twofold: first, on substance, the United States opposes any language suggesting - even obliquely - that multilateral financial institutions should undertake new debt relief initiatives which could have adverse implications for the sound financial basis and credit rating of such institutions. Secondly, on principle, the United States believes it is inappropriate for this, or any other United Nations forum to interfere with the independent mandate of such institutions and put forward specific proposals for new initiatives. Maintaining the independence, integrity, and sound financial standing of the multilateral institutions is a matter of prime importance - to all nations - above all those depending on future access to development financing."

Closing statement on the debate on items 3 and 4 by the Secretary-General of UNCTAD

281. The Secretary-General of UNCTAD made some observations on the debate in order to enhance the consensus on interdependence, to clarify the perspective in which the Trade and Development Report 1990 should be assessed, and to respond to certain concerns voiced about aspects of the work of UNCTAD.

282. He noted that throughout 1989 and the first half of 1990 the world had seen a significant deceleration in the pace of growth. Thus, the background against which recent events in the Middle East had begun to unfold was one of slow-down in the world economy, including the economic stagnation of a large part of the developing world. Summarizing the Board's discussion on the economic consequences of these events, which might aggravate long-term problems and change or deepen existing trends, he said that, for many oil-importing countries, most of them developing countries, the events could lead to major economic setbacks.

283. On the nature of the policy responses that countries might make, there seemed to be wide agreement that industrial countries should, as far as it was compatible with their own national policy objectives, foster strong, sustainable, non-inflationary growth and a fall in interest rates - although the latter might not be possible in the immediate term. For developing countries, persevering with and carrying forward their programmes of adjustment and reform despite current complications was seen as a necessary condition for a resumption of growth and development. At the same time, the ability of many of these countries to do so would depend on financial support by the international community and there were encouraging signs that international assistance would be forthcoming. Such assistance, however, should be substantial, be placed firmly in the multilateral framework, and be based on economic criteria covering both direct and indirect effects of recent events. No less important was the wide acknowledgement of the need for continuing and co-ordinated efforts to restore confidence in oil markets, and the importance of dialogue among oil consumers and producers to ensure reasonable stability and predictability in market behaviour, even though there were divergences about the modalities and scope of such dialogue.

284. Commenting on UNCTAD's work on domestic policies and their relationship to the external environment, he pointed out that the interaction between domestic economic management and the external economic environment had been the subject of considerable work within UNCTAD. It was important to give increasing attention to the diversity of growth and development experiences of different countries. It should be recognized, however, that extensive work had also been undertaken by the secretariat on the domestic adjustment experience of the least developed countries, on the trade policy performances in different contexts of developing and developed countries, as well as the fiscal problems of debtor developing countries and the policy issues arising therefrom. Likewise, the work programme recently adopted by the Committee on Invisibles and Financing related to Trade envisaged wide-ranging research, analysis and discussion on the determinants of the results of the adjustment experience of member countries with particular reference to factors of domestic support, the nature of structural adjustment measures, as well as the external contributing factors including financial flows.

285. Moreover, sight must not be lost of the careful balance that was established on these issues in the Declaration adopted by the Board and endorsed by the General Assembly on the twenty-fifth anniversary of UNCTAD. That Declaration emphasized that in bringing fresh thinking to bear on new areas of concern, as well as on long-standing problems, UNCTAD should take full account of long-term structural changes in the world economy and, particularly, of the need for a more supportive and predictable international economic environment for trade and development, particularly of developing countries. Referring to domestic policies, the Declaration observed that there was no universal criterion for determining the proper mix of economic management tools for stimulating economic growth and development, and that a range of approaches and measures appropriate to particular situations were being applied. At the same time, it noted that more countries in all parts of the world were making use of market signals and competitiveness in promoting entrepreneurial initiative and in optimizing the contributions of the public and private sectors.

286. Following the same approach, the Declaration adopted by the recent special session of the General Assembly on international economic co-operation and development affirmed the pressing need to improve the international economic environment in order to ensure the success of national policies. In the same context, it emphasized the critical role that should be played by national policies to facilitate open exchange and flexible responses to the changing world economy, and to support investment, as well as the efficient allocation and mobilization of resources for the purpose of achieving durable growth. He drew attention in this context to the conclusions he had drawn on this subject in his opening statement at the current session.

287. He also noted that strong and general support was expressed for the view that the Uruguay Round must result in a balanced outcome, which would strengthen the multilateral trading systems, promote trade liberalization, and increase access for developing-country exports, in the interests of growth and development. There was recognition also of the need for work to proceed on the interactions between trade, technology and finance, including the implications of the activities of transnational corporations for the trading system.

288. Finally, references had been made to the tightening and the increased complexity of the linkages inherent in the interdependence both of national economies and among the major areas of economic policy. In recent years, the globalization of financial flows and the progressive ascendancy of finance over industry, trade and investment had served to amplify these linkages, increasing the vulnerability of the less powerful economies and affecting stability in the foreign exchange and financial markets.

289. One conclusion to draw was that world economic stability and growth increasingly required national policies, especially those of the major economies, to be effectively co-ordinated in order to avoid inconsistencies among them and to ensure that they were both coherent and accorded with global objectives. In particular, continuing efforts should be made to strengthen multilateral surveillance and macro-economic policy co-ordination in the interests of stability and growth, taking full and credible account of the interests of smaller economies, particularly those of developing countries.

290. The Trade and Development Report 1990 sought to reach a wide audience, including the audience concerned with policy analysis, such as the academic community and research institutes, as well as government officials concerned with economic policy-making and international economic diplomacy. The Report had two broad goals. The first was to provide a summary account of economic progress in developing countries and of recent developments in the world economy, including international trade and finance, that had a bearing on development. A second objective was to present in-depth analyses of particular topics relevant to trade and development. In choosing these topics the secretariat was mindful of the need to avoid duplication and sought to draw attention to particular issues which were important, but which had not received sufficient international attention. Considerations of balance could therefore not be brought to bear on any one individual Report, but could only be assessed across a number of issues of the Report.

291. The secretariat's analysis of domestic policies in developing countries frequently elaborated on the complexity and difficulties faced by policy-makers in those countries. This analysis was not designed to suggest that policy action by developing countries had no hope of success. Rather, such analysis sought to provide a full account of the problems being encountered and to try to establish realistic expectations as regards what could be done and the pace at which it could be done. There was no doubt that the process of adjustment and reform had to be pushed forward vigorously in many developing countries regardless of the external environment. Indeed each individual Government must formulate the best possible set of domestic policies assuming that, at the material time, the international environment was given.

292. On the other hand, when Governments came together as they did in UNCTAD and elsewhere they had it within their collective power to influence, at least to some degree, the external environment and in so doing to create conditions in which the efforts of policy-makers and of individual economic agents were more productive. Indeed, this reality of interdependence was already accepted in the context of the discussions of the Group of Seven. The same principles, however, had a much wider applicability in that national policies and international co-operation should be made consonant and mutually reinforcing.

293. In conclusion, he pointed out that in formulating proposals for and in executing work programmes, and more generally in carrying forward work required of it, the secretariat was guided by decisions and agreements arrived at jointly by member States. The secretariat did indeed analyse and pay due attention to observations and suggestions made by individual delegations or groups. But these were not and, especially in cases where contradictory views had been expressed, could not be substitutes for collective guidance. For the purpose of collective guidance a variety of mechanisms, both formal and informal, existed within the UNCTAD machinery which remained available to interested individual member States or groups, together with the necessary institutional memory which the secretariat as always stood ready to provide.

CHAPTER III

ARRANGEMENTS AND PREPARATIONS FOR UNCTAD VIII

(Agenda item 5)

294. At the 773rd (opening) meeting, the outgoing President recalled that, pursuant to its decision 381 (XXXVI) of 23 March 1990, the Board was to decide on the venue of UNCTAD VIII at its current session. He had been mandated to undertake consultations in that connection to determine which Latin American States would be in a position to offer an alternative site for the Conference. He regretted to report on the expiry of his mandate that there had been no additional positive development to announce since his report at the second part of the thirty-sixth session (TD/B/L.895). The consultations had been conducted at the highest level with all due dispatch but had proved fruitless. Various Latin American countries, including Venezuela, had seriously considered hosting the Conference but, some for financial reasons and others for lack of the necessary physical infrastructure, had been unable to take a favourable decision. In the circumstances, and as time was running out, he had decided to transmit a letter to the Chairman of the Latin American Group in Geneva informing him of the situation. He hoped that it would be possible to reach a satisfactory solution.

295. The spokesman for Group B (Germany) stated that UNCTAD VIII would offer the most important forum in 1991 to evaluate and discuss severe problems still facing developing countries. The common goal in addressing these problems was strengthening national and international action as well as multilateral co-operation for a healthy, secure and equitable world economy and, in particular, a sustainable recovery of growth in developing countries. At the same time participating countries in the Conference should be able to agree upon a new role and framework for UNCTAD, with a view to revitalizing the organization.

296. UNCTAD VIII should address development issues in a balanced way, recognizing, on the one hand, the international community's responsibilities for a supportive international environment and, on the other, putting emphasis on the need for sound national policies, good management and governance to achieve effective and efficient use, allocation and mobilization of resources.

297. UNCTAD VIII should also be an opportunity to discuss and evaluate the economic impact of the changes in Central and Eastern Europe on North-South relations as well as of the crisis in the Gulf.

298. An early agreement on agenda, venue and date was a matter of urgency. No time should be lost in launching the preparatory process. The Conference had to be a success and a major contribution to the definition of feasible approaches to an accelerated and sustainable development.

299. The representative of the Ukrainian Soviet Socialist Republic expressed support for the draft agenda for UNCTAD VIII and hoped for a solution to be found to existing problems.

Action by the Board

300. At the 780th meeting, the Board approved the substantive item of the provisional agenda for the eighth session of the Conference as follows:

> **Strengthening national and international action and multilateral co-operation for a healthy, secure and equitable world economy.**
>
> Evaluation of challenges and potentials presented by long-term structural changes for sustainable development and expansion of international trade in an interdependent world economy. Promoting economic growth, technological capabilities and accelerated development in the developing countries: adoption of sound national and international policies and measures, good management and structural reforms in both developed and developing countries to achieve the effective and efficient allocation, use and mobilization of human and economic resources and a more favourable international economic environment. Towards this end, issues in the following interrelated areas would be addressed: resources for development; international trade; technology; services; commodities.

301. The Board further noted the related understanding reached in informal consultations that, in addition to the plenary, there would be only one sessional committee and that there would not be more than three simultaneous official meetings.

302. The Board authorized the President to report directly to the General Assembly as appropriate the outcome of the continuing consultations on the question of the venue and dates of the Conference.

303. The Board further authorized the Secretary-General of UNCTAD to complete the provisional agenda for UNCTAD VIII through the addition of the customary administrative and procedural items.

304. The spokesman for Group B (Germany) said that Group B agreed to the substantive agenda approved by the Board for UNCTAD VIII, being confident following consultations with the Secretary-General of UNCTAD that the documents prepared for UNCTAD VIII would also reflect all relevant issues related to good management to achieve the effective and efficient allocation, use and mobilization of resources.

305. The spokesman for the Group of 77 (India) said his Group accepted the agenda proposed for UNCTAD VIII. With reference to the statement by the spokesman for Group B, the Group of 77 had the following observations.

306. In his Group's view the major focus of UNCTAD VIII should be on the promotion of international co-operation and the creation of a favourable international environment for development, and the adoption of the necessary national and international policies to that end.

307. In so far as the question of good management was concerned, his Group must stress that the objectives of good management, as indeed of the other measures mentioned in the agenda, included not only the effective and efficient allocation and use of resources as mentioned by the spokesman for Group B, but also, much more important, the creation of a more favourable international economic environment, as was indeed agreed in the text approved.

308. The Group of 77 was unable to subscribe to Group B's views with regard to the issues to be covered under the topic of "good management" expressed during the discussions which had taken place on the draft agenda. In so far as the substantive issues before UNCTAD VIII were concerned, the views of the Group of 77 had already been set forth in detail in document TD/B/L.906.

309. The spokesman for Group D (USSR) welcomed the agreement on the substantive agenda for UNCTAD VIII, which he ascribed to the spirit of co-operation prevailing in the informal negotiations.

310. The representative of China expressed his pleasure with the consensus that the Board had reached on the substantive agenda item for UNCTAD VIII. Nevertheless, the results were not entirely satisfactory. Given the present world economic situation the Conference should focus on some of the major issues related to development and the world economy which were of great concern to the developing countries, especially with regard to resources, technology, trade, services and commodities and seek solutions to the problems in these areas. The secretariat should prepare balanced documents on all these issues and should not give excessive emphasis to factors in any one area to the prejudice of any other area. The organization of the sessional bodies was necessary to ensure full and balanced consideration of all issues and promote positive results in all areas.

Chapter IV

UNITED NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND DEVELOPMENT 1986-1990: INITIATION OF PREPARATIONS FOR UNCTAD'S INTERGOVERNMENTAL INPUT INTO THE FINAL ASSESSMENT BY THE GENERAL ASSEMBLY IN 1991

(Agenda item 6)

311. For its consideration of this item, the Board had before it the following documentation:

> "United Nations Programme of Action for African Economic Recovery and Development 1986-1990: initiation of preparations for UNCTAD's intergovernmental input into the final assessment by the General Assembly in 1991: note by the UNCTAD secretariat" (TD/B/1265)

Consideration in Sessional Committee II

312. The Deputy Secretary-General of UNCTAD, introducing the item, said that the secretariat, in response to earlier Board decisions, would submit two reports to the Board at the second part of its thirty-seventh session. The first would be a progress report dealing with UNCTAD's contribution to UN-PAAERD in the area of policy research and analysis, focusing on areas which fell within UNCTAD's mandate. The second would be concerned with UNCTAD's intergovernmental input to the General Assembly's final appraisal and review of UN-PAAERD. Document TD/B/1265 related to the second of the two reports and indicated issues that should be covered in the report, though the list of issues provided was not exhaustive. The major purpose of the exercise was to determine progress that had been made and to indicate the extent to which the objectives of UN-PAAERD had been realized.

313. There were a few specific areas that merited particular attention. First, there was the issue of financing of recovery and development in Africa. This included internal and external resource mobilization to undertake the necessary investments. In this regard, the instruments put in place by donor countries and multilateral agencies would be examined. Questions of financing also included efforts to treat the various types of debt: bilateral, concessional, non-concessional, commercial and debt to the multilateral institutions. The report would give an indication of the extent to which global efforts had succeeded in alleviating the debt burden of African countries.

314. More than 30 African countries were undertaking structural adjustment programmes, and it was important to examine those programmes' macro-economic impact and their consistency with medium-term and long-term strategies. On the issue of commodities, it was necessary to take into account the instability that existed in the commodity markets of particular interest to African countries. The report would have to look at such issues as terms of trade, which had been generally unfavourable to African countries, and the obstacles to diversification and methods for overcoming them. Long-term efforts to deal with world markets for commodities and the integration of the commodity sector with other sectors in African economies also needed to be looked at.

315. In the area of trade, the report would examine the evolution and conditions of market access for African exports and the question as to whether opportunities existed for increased African exports and diversification. It was also necessary to examine carefully the consequences of the trade liberalization that African countries had undertaken, as well as the results of the Uruguay Round and its implications for African countries, in particular the potential loss of preferential treatment for African countries, progress on tropical products and agricultural protectionism, and the impact on world prices of food products. With regard to human resources development and popular participation, this issue was to be treated in the light of experience acquired at the Second United Nations Conference on the Least Developed Countries.

316. In conclusion, he pointed out that the development of Africa was a long-term process that required additional efforts from all concerned. The analysis and appraisal of UN-PAAERD would enable the Board to determine the exact measures needed in the 1990s for Africa's recovery and development, as well as the nature of the contribution needed from UNCTAD.

317. The spokesman for the Group of 77 (Egypt), referring to document TD/B/1265, noted that, though extensive, the list of topics to be covered in UNCTAD's assessment of UN-PAAERD was not exhaustive, and in that connection the Group of 77 expected an indication of the implications of the current situation in the Middle East for the economies of African countries. In addition, the final report should contain an assessment - of a technical nature - of the implementation of UN-PAAERD. By "assessment", his Group meant a measurement of the degree to which objectives outlined in UN-PAAERD had been fulfilled, and this would be complementary to the comprehensive analysis and coverage indicated in document TD/B/1265. Such an assessment would also assist the Board in determining what form of follow-up to UN-PAAERD, if any, would be necessary.

318. Recent regional and international statements and publications on the economic situation in Africa had testified to the enormous efforts made by a large number of African countries in the implementation of programmes aimed at domestic reform. However, most of these sources had also testified to the inadequacy of the responses of the international community in support of domestic efforts undertaken by African countries. Nearly four years after the initiation of UN-PAAERD, a number of economic indicators for Africa had deteriorated, while others had remained stagnant. While his Group acknowledged the role of UN-PAAERD in creating awareness within world public opinion of the magnitude of the economic challenges faced by Africa, it was clear that the international community had not been sufficiently supportive of the strong and widely acknowledged efforts of African countries.

319. The representative of China said that, since UN-PAAERD had been adopted, African countries had made extensive efforts in the areas of structural adjustment and reform. Although a few countries had achieved some success, the available evidence indicated overwhelmingly that, in spite of assistance provided by the international community, the reform in African countries was making only sluggish progress and had produced limited results. The decline of the African economies had not been reversed in any fundamental way: per capita GDP of the African countries had continued to fall year after year, the debt crisis was weighing ever more heavily, and the problem of starvation

continued unabated. This was not due to lack of effort on the part of the African countries or the international community in implementing the Programme of Action. Indeed, some positive results had been realized, but the difficulties facing Africa today resulted from various historical, natural and external factors that did not lend themselves easily to solution. Continuation of efforts by African countries and the international community was necessary for gradual improvement and development of the African economies.

320. Responsibility for the implementation of the Programme of Action had to be shared by the African countries and the international community, and this point should not be overlooked by the secretariat in its report to the Board at the second part of its thirty-seventh session. Her delegation was, in principle, in favour of the framework for the report proposed by the secretariat, but in addition to areas identified in document TD/B/1265, it was also necessary to assess implementation in specific areas and to evaluate the new situation. The problems facing Africa would continue to exist for a long time to come and her delegation hoped that UNCTAD would make a useful input that would enable the General Assembly to make an enlightened choice in considering further action to solve those problems.

321. The spokesman for Group B (United States of America) said that UN-PAAERD provided a framework for co-operation and partnership based on mutual commitment and shared responsibility between the African countries and the international community. African countries had committed themselves to giving priority attention to necessary economic reforms, while for its part the international community had recognized that the economic recovery and development efforts of African countries had to be supplemented by complementary action through intensified co-operation and increased efforts.

322. In spite of recent positive developments in international relations, the economic situation of the developing countries, especially in Africa, called for a strengthened partnership. His Group hoped for a concrete contribution to the final appraisal of the programme from the UNCTAD secretariat, which had demonstrated that it possessed the expertise to analyse and seek solutions to the slow pace of development in the region in general.

323. The specific issues outlined in document TD/B/1265 generally fell within UNCTAD's mandate and area of expertise. Those issues - which implied a role in the human resources dimension - had to include financial flows to African countries during the UN-PAAERD period, including a review of donor efforts. Other issues to be treated included commodities, inter-African trade in the general framework of ECDC, trade with the developed market economies, transportation and technology. Substantial attention to the important role of the private sector in Africa and effective national policies to achieve sustained growth would be appropriate.

324. The representative of Ghana asked whether it was possible, in the light of the documentation already prepared by the secretariat and in particular the Trade and Development Report, to make a preliminary assessment of UN-PAAERD at the present time. In addition, he asked why, despite the implementation of structural adjustment programmes and UN-PAAERD, it had not been possible to resolve the fundamental problems of African economies and what specific constraints were affecting the situation.

325. The representative of the Union of Soviet Socialist Republics said that the major conferences held in 1990 in the economic sphere reflected the complexity of the problems of development and in particular the socio-economic crisis that had struck Africa. Solving those problems would require a world-wide effort, and UNCTAD must continue contributing not only to the implementation of UN-PAAERD but also to the regional and subregional programmes developed by African countries.

326. The methodology set out in document TD/B/1265 for the preparation of the final assessment was generally the right one. It had to be borne in mind, however, that in the implementation of the Programme of Action, African countries had faced enormous difficulties relating to unfavourable external factors such as declining terms of trade, growing protectionism, and debt. The problem of recovery in Africa was therefore not solely a regional issue, and indeed the development prospects of Africa would depend on how well the international community managed to neutralize the negative impact of external conditions.

327. For the continent to overcome the crisis, however, decisive efforts had to come from the African States themselves. Major efforts were needed to ensure balanced development of the industrial, agricultural, transport and services sectors, as well as to pursue an active social policy, including training and health care. With regard to resources, African countries should mobilize internal resources by reducing non-productive expenditures and, above all, military expenditures.

328. Finally, the report to be prepared by the secretariat on the assessment of UN-PAAERD could contain recommendations on ways of overcoming the economic problems of Africa.

329. The Director of the UN-PAAERD Task Force Unit, responding to the comments and suggestions made by delegations, noted in particular the desire on the part of Board members to see an assessment of UN-PAAERD itself as part of UNCTAD's final review. He also noted that suggestions had been made to include an assessment of donor efforts, progress in increasing the role of the private sector, national policies, and resource mobilization, including the issue of the level of military expenditures in Africa.

330. With regard to a specific question relating to the secretariat's preliminary assessment of the present situation in Africa, he said that African countries, in spite of strong efforts on their part, still faced serious difficulties. The international environment had not been sufficiently supportive of those efforts. Adverse terms of trade, stagnant overall resource flows in spite of increased bilateral aid, debt problems and protectionism were elements in this assessment. With regard to the question as to whether UN-PAAERD had addressed the fundamental structural problems of African countries, he said that conventional structural adjustment programmes (of the World Bank and IMF) were intended to correct macro-economic distortions and were not intended to address structural problems such as excessive dependence on commodity exports. The UN-PAAERD time-frame for its part was not sufficiently long for the Programme of Action to deal with structural problems. Secretariat documents had generally expressed the view that, while macro-economic policy reforms were necessary, it was equally necessary to introduce a development dimension to them.

Action by Sessional Committee II

331. At its 4th meeting, on 5 October 1990, Sessional Committee II took note of the secretariat's report as contained in document TD/B/1265, as well as of the comments made thereon.

Action by the Board

332. At the 780th meeting, on 12 October 1990, the Board took note of the secretariat's report in document TD/B/1265 and of the comments thereon in Sessional Committee II.

Chapter V

ASSISTANCE TO THE PALESTINIAN PEOPLE (CONFERENCE RESOLUTIONS 146 (VI) OF 2 JULY 1983 AND 169 (VII) OF 3 AUGUST 1987)

(Agenda item 7)

333. For its consideration of this item, the Board had before it the following documentation:

"Recent economic developments in the occupied Palestinian territory: report by the UNCTAD secretariat" (TD/B/1266 and Corr.1).

Consideration in Sessional Committee II

334. The representative of the UNCTAD secretariat, introducing the item, highlighted the main findings and conclusions of the secretariat's report, pointing to the rapid deterioration in the Palestinian economy and the intensification of the measures introduced by the Israeli authorities since the Palestinian uprising. Despite the initiatives of the Palestinian people aimed at enhancing self-reliance, there were, in general, no indications of real improvement in aggregate economic performance in the territory. Performance in 1989/1990 had maintained the downward trend of the previous year, with gross domestic product estimated to have fallen by as much as 35 per cent from its pre-1988 level.

335. He indicated some of the specific sectors which continued to suffer from the restrictive measures introduced and/or intensified during the period under review. He also referred to the adverse effects of the Gulf crisis on the Palestinian economy. While noting the recent intentions of the Israeli occupation authorities to relax some of the restrictions, he urged the Israeli authorities to give further consideration to the growing immediate and long-term needs of the Palestinian economy for policy reform and restructuring, as elaborated in recommendations contained in the UNCTAD secretariat report. He also appealed to the international community to help the Palestinians and Israelis alike in taking the bold steps required to place the Palestinian economy on the path of revival and development.

336. The representative of the Syrian Arab Republic stressed the importance of two main points highlighted in document TD/B/1266, namely the depth and strength of the Palestinian uprising and the consequent re-orientation of the economy towards self-reliance, and the restrictive and arbitrary measures imposed by the Israeli occupation authorities.

337. Israeli practices included the appropriation by Israel of 80 per cent of the water resources of the occupied territories; the uprooting of tens of thousands of trees; the destruction of houses; hindering external aid and trade and subjecting them to strict controls; and the expropriation and confiscation of land in order to build new settlements in the occupied Arab territories and absorb the thousands of new Jewish immigrants. All these were in complete violation of international law and international conventions, especially the Fourth Geneva Convention, and contrary to human, social and economic principles upheld by democratic and civilized societies. Their aim was to destroy the Palestinian economic structure, impoverish the Palestinian people and force them to leave their land and country.

338. The United Nations, other international bodies and sympathetic Governments should continue to help the Palestinian people in their efforts to develop and restructure their economy, through well studied programmes and in accordance with the needs voiced by the Palestinians themselves. Finally, he reaffirmed that solving the problems of the Palestinians with regard to their deteriorated economic and living conditions would be insufficient as long as Israeli occupation persisted and the Palestinian people were prevented from exercising their right to self-determination and from establishing their independent State on their land.

339. The representative of Jordan stressed the importance he attached to the work of the Special Economic Unit, as well as the need to provide it with the resources it required to implement its work over the coming years. He also affirmed the importance of the forthcoming intersectoral study and said he appreciated the concluding recommendations of the secretariat's report to the Board (TD/B/1266).

340. He cited two major aspects of the current economic situation in the occupied territory which were highlighted in the report, namely the adoption by Palestinians of a self-reliant development strategy that would limit their forced dependence on the Israeli economy, and the review of Israeli measures and practices aimed at ending the Palestinian initiatives and the intifada. He drew attention to measures practised by the occupation authorities since December 1987, including the destruction of homes; the expropriation of land, mainly in order to settle new Jewish immigrants from the Soviet Union and Eastern Europe; restrictions on the movements of Palestinian workers; and controls imposed on exports and on external aid flows. He also pointed to the plight of the agricultural sector as a result of Israel's policies, and to the fact that Palestinians had a shrinking proportion of land available to them and severely restricted access to their own water resources. The Middle East was experiencing a serious water crisis as a result of Israel's abuse of the region's water reserves, in addition to its diversion of the flows of the Jordan and Litani rivers.

341. As for the confiscation of wide areas of land to absorb the large number of new Jewish immigrants from the Soviet Union and Eastern Europe, this constituted a worrying and grave development that would threaten the region's prospects for peace, security and stability. United Nations resolutions had affirmed the illegality of Israel's settlement policy and of all measures aimed at transforming the physical characteristics of the occupied Palestinian territory.

342. The Palestinians' resistance to the continued economic deterioration caused by their dependency on Israel was now clearly expressed in their attempts at disengaging from the Israeli economy and institutions and at achieving self-reliance. The international community must take remedial action to tackle the worsening conditions of the occupied Palestinian territory by putting an end to Israeli practices and assisting the Palestinian people in building a solid economy and achieving their right to self-determination and the establishment of their independent State.

343. The representative of China said that document TD/B/1266 provided material for a better understanding of the situation in the occupied Palestinian territory.

344. The continued worsening of the economic conditions of the Palestinian territories since their occupation in 1967 had recently been further aggravated by Israeli measures of economic plunder, and these measures had resulted in huge losses in terms of national and human resources. The comprehensive policy measures proposed by the UNCTAD secretariat were in keeping with the spirit of Conference resolution 169 (VII), and she urged the international community to implement resolution 169 (VII) in a realistic and adequate manner and to continue its assistance to the Palestinian people. In conclusion, she reiterated her Government's support for the legitimate economic rights and interests of the Palestinian people and their struggle for national liberation.

345. The representative of Egypt said that his delegation was alarmed by the intensification of economic and other measures by the Israeli occupation authorities in the context of application of more collective punishments aimed at expanding their powers in the occupied territory and their control over its economic resources. These measures included establishment of settlements, destruction of houses, expropriation of land, tax-raids, restricting the flow of funds into the occupied territory, tightening restrictions on the activities of international organizations in the occupied territories, and diversion of Palestinian water resources to Israel and its settlements.

346. Despite the escalation of Israeli measures, the Palestinian people had demonstrated their insistence on strengthening self-reliance and on freeing themselves from enforced dependence on the Israeli economy. Positive signs could be seen as regards increasing food self-sufficiency in the occupied territory and substitution for some imports from Israel.

347. His delegation appreciated the assistance provided to the Palestinian people, in particular the increased assistance by the European Economic Community and NGOs. He called for further strengthening of international assistance to the Palestinian people and urged those parties providing assistance to co-ordinate with the Palestinian people and the Palestine Liberation Organization with regard to allocation and transfer of such aid. He called on the Government of Israel to lift all restrictions on international assistance to the occupied territories.

348. He hoped that Israel would follow through on its recently declared promises, referred to in the UNCTAD secretariat's introduction to the item, to lift certain restrictions on the Palestinian economy, and he called upon Israel to heed the recommendations for immediate action contained in the secretariat's report. However, the final solution of the economic crisis of the Palestinian people in the occupied territory required a comprehensive political settlement guaranteeing the legitimate rights of the Palestinian people. He concluded by affirming continuing support for the work of the Special Economic Unit and the need for intensifying its work. He hoped in particular that the Unit would carry out further investigations of the implications of Jewish immigration to Israel on the economic and living conditions of the the Palestinian people in the occupied territories and on the natural resources in these territories.

349. The representative of Israel said that the UNCTAD secretariat's report once again stood out for its single-minded concentration on effects and its disregard of the causes of a very complicated situation. The reliance on

newspaper reports and obviously propagandistic sources of information did not give the report the desired objectivity. The authors had taken every opportunity to give a positive slant to the attempts of the Palestinians to cut themselves off from the reality of their relations with Israel. It was doubtful whether the presentation of the Palestinian Arabs as an international basket case would serve either their interest or the cause of peace. This was not the way forward, as could clearly be seen from any comparison of economic development in the territory between the period succeeding the Six Days War and the period upon which the report concentrated. The report noted that economic performance had clearly departed from the growth trends of preceding years. One looked in vain through the report for any mention of the Palestinian actions which had set back the economic clock and brought forth the Israeli response. There was no mention in the report of the fact that productive capacity was being devoted to molotov cocktails and the casting of stones, that gangs of terrorists coerced the population into constant strikes leading to decline in trade and that absenteeism from work was as much due to attacks on buses as to any desire for self-reliance.

350. By way of illustration of the tendentious nature of the report, he referred to the issue of water use. The mountains of Judea and Samaria constituted the natural acquifer for the major inhabited areas of Israel. In 1967, the water resources of the area had been relatively underdeveloped and few areas of habitation had had a modern water supply. Following the Six Days War, more than 60 towns in Judea and Samaria had been provided with water supply systems. In 1988/1989, the Palestinian population of Judea and Samaria had used 90 per cent and Israeli settlers 10 per cent of total domestic water supply available in the territory. At the same time, 5.3 million m3 of water had been transferred from Israel, of which 75 per cent had been consumed by the Arab population of the territory. In the Gaza Strip, only 2 per cent of domestic water was accounted for by Israeli settlers. The problem, and the statistics which illustrated it, illustrated that there was a need for new and diversified farming methods, as well as the basic law governing the proper and correct management of water, that water had a monetary value and that there was indeed a need for control of irrigation projects. Unfortunately, discussion of such vital considerations found no place in the report.

351. He concluded by saying that, since the Iraqi invasion of Kuwait, which had resulted in the exodus of many foreign workers, including workers from the Administered areas, the Government of Israel had adopted a number of measures aimed at assisting the population overcome the drastic decline in income and export earnings. Schools and colleges had been reopened, the opening of a new bank and of a central Chamber of Industry had been authorized, visitors from Kuwait who were unable to return were allowed to stay in the territory, and regulations governing currency transfers into the territory had been relaxed. Israel would consider sympathetically any request to assist refugees from countries whose citizens were affected by the Gulf crisis.

352. The representative of the United States of America said that his Government supported economic assistance for Palestinians through United Nations programmes, and assistance was also provided to Palestinians in the occupied territory through private voluntary organizations.

353. The report of the secretariat cited Israel for creating all or most of the economic problems of the occupied territory, without making sufficient reference to the influence of existing security and political conditions.

354. The representative of Palestine said that, as already proposed in the past, the staff of the Special Economic Unit should be strengthened by the addition of two researchers. A draft resolution would be submitted at the appropriate time and place with a request to expand the Unit. Trade and Development Board resolution 239 (XXIII) had requested UNCTAD to prepare a comprehensive study on the Palestinian national economy, but this had not been possible owing to lack of the necessary extrabudgetary funds. When a draft resolution had first been submitted to the Second Committee of the General Assembly at its last session to secure the necessary funds, the UNCTAD secretariat had relayed inaccurate budget information to the Committee. After clarification, a new financial statement had been issued, and the General Assembly had decided, in its resolution 44/174, to make the needed extra funds available to the UNCTAD secretariat for completion of the study. He was confident that the study would at last be prepared.

355. He commended the work of the Unit, including its efforts in the preparation of the ITC feasibility study for a marketing centre in occupied Palestine. He noted that the Israeli authorities had notified UNCTAD that the Chief of the Unit, who was a member of the team of experts scheduled to visit the occupied State of Palestine in connection with preparation of the study, would be denied access. He stressed the unrestricted right of United Nations staff to access to the occupied territory of the State of Palestine.

356. The secretariat's report was a well-researched document, despite its reliance, by necessity, on statistics issued by the Israeli occupation authorities which attempted to cover up the real extent of the damage to the Palestinian national economy as a result of Israeli occupation. The losses of the Palestinian national economy had been running at around $100 million per month in 1989 and had increased since the beginning of the Gulf crisis due to Israeli attempts to tighten its grip on the occupied territory and the total or partial interruptions in flows of remittances and official and private assistance from Kuwait and other Arab countries, as well as the loss of regional markets for Palestinian exports. This situation was compounded by the adverse impact of the crisis on Jordan, which had strong economic links with the occupied territory of the State of Palestine. Meanwhile, Israeli occupation authorities had imposed further restrictions on Palestinian exports to Jordan under the pretext of abiding by Security Council resolutions and ensuring that Palestinian goods did not reach Iraq through Jordan. He could not imagine Israel posing as an upholder of international legitimacy.

357. The provisional estimate of the total income and remittance losses of the Palestinian people in the occupied territory and abroad as a result of the Gulf crisis amounted to around $1.3 billion annually. The Palestinian people were worse off in contrast with others because they either lived under occupation or in exile, and yet so far they had not benefited from any aid or compensatory funds linked to the Gulf crisis. He criticized the discrimination and selectivity demonstrated by the upholders of international legitimacy with regard to the Israeli occupation of Palestinian, Syrian and Lebanese lands as compared to the response to the Gulf crisis.

358. In conclusion, he stated that he had yet to hear clearly from one influential member of the Security Council that it was specifically against the Israeli occupation and respected the national rights of the Palestinian people, including the right to self-determination and sovereignty. Principles

should be respected and applied across the board. If war were to erupt, all would suffer from the consequences. While people of all nationalities had been leaving Kuwait and Iraq and going home for fear of war, Palestinians could not do the same. He appealed for help for the Palestinian people in freeing their occupied home; only then could the Palestinian national economy develop.

359. The representative of Israel drew attention to the proposals made by his Government at the Second United Nations Conference on the Least Developed Countries and at an UNCTAD meeting four years previously regarding economic development policies, with particular reference to agricultural development, take-off and the green revolution.

360. The representative of the United States of America said that any additional activities undertaken by the UNCTAD secretariat must be implemented within existing resources.

361. The representative of Palestine, reiterating that his delegation would be submitting a draft resolution at the appropriate time and place calling for the expansion and extension of the Special Economic Unit, said that the costs that might be entailed would be studied at that time.

362. The spokesman for the Group of 77 (Bangladesh) said that in 1989/1990 the Israeli occupation authorities had introduced a series of measures aimed at exerting increasing economic pressure on the Palestinian people in the occupied Palestinian territory. Despite the growing losses suffered by the Palestinian economy as a result of Israeli measures and lower levels of activity, co-operation within the Palestinian community had made it possible to effect significant transformation in different areas of economic activity.

363. The secretariat's report indicated that Palestinian economic performance in 1989 had continued to exhibit a downward trend. It was estimated that GDP in the occupied territory had fallen by as much as 35 per cent against its pre-1988 level. Real household income had decreased by as much as 50 per cent. The report noted that Gaza Strip water resources were seriously threatened with depletion and salinity as a result of over-drilling in nearby border areas in Israel, as the bulk of West Bank water resources were diverted by the occupation authorities for use in Israel and its settlements in the territory. The Israeli occupation authorities had accelerated expropriation of Palestinian land and the expansion of Israeli settlements in the occupied territory, with such settlements now numbering over 260. Contrary to the provisions of international law, Israel had continued to settle new immigrants in the occupied Palestinian territory.

364. The report showed that Palestinian agriculture had been most adversely affected by Israeli policy measures. Palestinian farmers had experienced substantial falls in income, and the prospects of the sector had been impaired through the destruction of substantial agricultural assets. However, some encouraging trends toward self-reliance could be seen in Palestinian agriculture, as well as in developments in the industrial sector. Local industries and entrepreneurs had responded to the shift in consumer preferences towards Palestinian national products by increasing utilization of existing production capacity, promoting intersectoral linkages and reorienting marketing strategies to capture a share of the domestic market. However, data

quoted in the report for unemployment indicated an alarming fall in economic activity. Meanwhile, a drastic deterioration in monetary conditions had exerted severe pressure on the living conditions of the Palestinian people. The situation had been further aggravated owing to the use by the Israeli occupation authorities of tax collection as a means of collective punishment of Palestinians during the uprising. The performance of the Palestinian external trade sector had declined to critically low levels, despite the concessions extended to the exports of the occupied territory by the EEC and by developing countries.

365. The report stated that longer-term Palestinian economic development remained doubtful under conditions of prolonged military occupation. In the present circumstances, however, the implementation of the recommendations for economic policy reform and restructuring contained in previous UNCTAD secretariat reports and studies had acquired greater urgency. Increased assistance by the international community to the Palestinian people and more active involvement in the development of their economy were still called for. Efforts at economic revival in the occupied Palestinian territory could build upon the economic initiatives recently demonstrated by the Palestinian people.

366. The Israeli occupation authorities should implement the broad policy reforms outlined in previous UNCTAD reports and studies, as well as certain immediate measures as envisaged in document TD/B/1266. These included ending the seizure of Palestinian land and the restrictive controls over Palestinian water resources; halting the establishment of new settlements and the expansion of existing ones in the occupied Palestinian territory; refraining from applying collective punishments against Palestinian agriculture and easing restrictions on movement of produce to local markets in and between the West Bank and Gaza Strip; easing the crippling tax burden imposed on the Palestinian people; and applying equitable and reciprocal measures with regard to the external trade sector of the occupied territory, including consideration of the possibilities for allowing direct imports to the occupied territory from various sources.

367. In concluding, he said that, in the final analysis, the solution of the economic problems of the Palestinian people was linked to a comprehensive political settlement of the Palestinian question in accordance with relevant United Nations resolutions.

368. The representative of the Union of Soviet Socialist Republics said that, in the secretariat's report (TD/B/1266), convincing data was quoted which bore witness to a significant deterioration in economic activity in the occupied Palestinian territory. In 1989, GDP had fallen by 35 per cent and per capita GNP by 25 per cent, giving a picture of a crisis situation in the occupied Palestinian territory. The main cause of this situation was the Israeli occupation policy, which was hindering the comprehensive and effective implementation of the inalienable rights of the Palestinian and other Arab peoples. The Soviet Union reiterated the need for a comprehensive solution, inclusive of political and economic aspects, which could only be reached through an international peace conference.

369. As to the question of Israel's practice of settling immigrants from the USSR in the occupied territory, the Soviet Union had repeatedly stated that it bore no responsibility for this policy and had called for an immediate halt to the practice.

370. The representative of the Libyan Arab Jamahiriya, referring to the secretariat's report, noted in particular the repressive and restrictive economic policies and practices of the Israeli entity, for example the destruction of homes, land confiscation, the expansion of settlements, uprooting of trees, destruction of crops, prevention of fishing, and restrictions on water use. These measures were not surprising, as they were being applied by an illegal and unlawful occupier.

371. The secretariat's report provided clear proof of the intention by Israel to destroy the Palestinian people and force them to leave their land, in order to replace them with Jewish immigrants from all over the world. Israel, which carried out widespread killings, did not find it difficult to follow such repressive political and economic policies.

372. The solution to the economic problems of the Palestinian Arab people lay in the recognition of their right to return and to establish an independent State; this would then allow them to develop their economy and contribute to the development of the world economy.

373. In his concluding remarks, the representative of the UNCTAD secretariat said that the secretariat had noted with keen interest the observations made on its report (TD/B/1266). Regarding the sources of information used for the report, he emphasized the relevance and importance of primary sources of information. However, despite repeated requests to the Israeli authorities, the secretariat had not yet been allowed direct access to the occupied territory. Secondary sources of information, largely issued by Israeli authorities and other bodies, therefore continued to constitute the basis for the secretariat's monitoring and analysis of developments in the Palestinian economy. The secretariat would make yet another request seeking direct access to the occupied territory in connection with its work programme.

374. With respect to interdependence and its relevance to Israeli and Palestinian economic relations, he indicated that the issue had been alluded to during the previous session of the Board. The matter would be dealt with within the context of the intersectoral study on "Prospects for sustained economic development in the occupied Palestinian territory". Now that the secretariat had begun preparing this important study, it would, inter alia, address itself to the Israeli authorities with a view to identifying and exploring possible complementarities between the economy of the occupied territory and that of Israel and studying ways and means of promoting these for their mutual benefit on an equal footing.

Action by Sessional Committee II

375. At its 4th meeting, on 5 October 1990, Sessional Committee II took note of the report of the secretariat as contained in document TD/B/1266 and Corr.1.

Action by the Board

376. At the 780th meeting, on 12 October 1990 the Board took note of the report by the UNCTAD secretariat (TD/B/1266 and Corr.1 (Arabic and English only)) and of the comments made thereon in Sessional Committee II.

Chapter VI

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 8)

A. UNCTAD's contribution, within its mandate, to sustainable development (Board decision 370 (XXXV))

377. For its consideration of agenda item 8 (a) the Board had before it the following document:

"Sustainable development and UNCTAD activities" - report by the UNCTAD secretariat (TD/B/1267).

Consideration in Sessional Committee I

378. The Director, Co-ordinator of Resources for Development Programmes, made a statement introducing this item.

379. The spokesman for the Group of 77 (Colombia) said that the concept of sustainable development was an important dimension of UNCTAD's work, which could not only give new impetus to selected areas of its work through the inclusion of environmental considerations but also open new approaches to the solution of long-standing problems. Since the current global environmental problems were largely the responsibility of the industrialized countries, he argued that these countries owed an "ecological debt" to the rest of the world and therefore had to bear the lion's share of the responsibility for making good the damage that had been caused. While he recognized the responsibility of developing countries for the environmentally sound management of their own resources, he pointed out that poverty was often at the root of environmental degradation in developing countries and that, unless the crucial relationship between developmental and environmental issues was addressed long-term solutions would be out of reach. Ecologically sustainable solutions were dependent on the achievement of patterns of economic growth in developing countries which required support and assistance through multilateral co-operation.

380. He saw the specific task of the Board at this session as the launching of a programme of work which would enable UNCTAD to promote sustainable development, through reaching concrete conclusions under two main headings: firstly through the insertion of the environmental dimension in selected areas of UNCTAD's work, whether of its secretariat or of its intergovernmental bodies; secondly by enabling UNCTAD to inject a development dimension in other forums which were working on environment-related questions, in particular through a constructive contribution of UNCTAD to the preparations for the 1992 United Nations Conference on Environment and Development. He also invited UNCTAD to keep under review the subject of "environmental development economics".

381. He welcomed the proposal made by the Secretary-General of UNCTAD on tradable carbon emission permits as a means of dealing with the problems of climatic change and saw this as the sort of proposals which UNCTAD could usefully refine as a contribution to work elsewhere. UNCTAD could similarly

analyse economic management instruments which had been introduced in various countries in order to encourage more sustainable behaviour and also analyse the development implications of the "polluter-pays principle" and the principle of precaution. Moreover, he attached importance to studies to be undertaken by UNCTAD, in consultation with the secretariat of the 1992 Conference, on the development dimension of the issues before the Conference in order to achieve a balance between developmental and environmental aspects in the mobilization of the United Nations agencies and bodies for the preparation of the Conference.

382. UNCTAD could also pursue new approaches in the various fields of work of its main committees. The Committee on Transfer of Technology, for example, would be confronted with the question of the discouragement of technologies in developing countries which had in the past been applied in developed countries. This raised new issues in the negotiations on transfer of technology, such as the terms offered for the acquisition of replacement technologies and the liability for damage incurred in the use of old ones. The inclusion of the subject of biotechnology on the agenda of the next session of the Committee could be another useful area for exploration: when life forms were turned into economic resources with a market price the countries in which these resources were located must be able to share the benefits.

383. With respect to commodities, neither the costs of depletion should be ignored nor the hidden subsidies provided to synthetic substitutes through externalities. He urged the Board to encourage the Committee on Commodities to pursue suggestions for work on environment-related issues at its next session.

384. In the field of trade policy, increasingly stringent environmental regulations in developed countries could influence the relocation of industrial activities to developing countries and the UNCTAD Trade Control Measures Information System could be of great value in monitoring trade restrictions that went under the guise of environmental regulations.

385. Recalling a statement of the UNEP Governing Council at its fifteenth session that sustainable development did not represent a new form of conditionality, he drew attention to the increasing incidence of environmental conditionality in the area of aid and development finance. He called for a systematic analysis of the array of financial measures proposed for a variety of global environmental issues such as climate change, ozone-depleting substances, biological diversity and anti-desertification measures. Additional income should accrue to developing countries as a matter of right, not of charity, through the correction of market failures and by internalizing externalities which often fell on developing countries. Referring to the various proposals for an international environment fund, he said that such a fund should be comprehensive and raise its income through economic mechanisms and prices which fully reflected the cost of the related activities. The proceeds should be devoted to sustainable development.

386. Referring to the particular vulnerability of island developing countries to environmental deterioration, which at times threatened their very existence, he recalled that UNCTAD has been requested by the Meeting of Governmental Experts on Island Developing Countries (June 1990) to undertake a

study of the implications of global warming, sea-level rise and climatic change for the development of these countries. UNCTAD should bear in mind the particular problems of island developing countries in its work on sustainable development, as in its other work. In general, the special needs and interests of the least developed countries should be fully reflected in UNCTAD's work on sustainable development. The Second United Nations Conference on the Least Developed Countries had stressed that the twin problems of poverty and environmental degradation had to be tackled simultaneously to provide a basis for sustainable development and had underlined a multitude of negative environmental phenomena to which the least developed countries were particularly vulnerable. The LDCs would need special support from the international community to achieve sustainable development.

387. The spokeswoman for Group B (Norway) said that the concept of sustainable development had come to affect many aspects of UNCTAD's work, and had cast a new light on the idea of linkage between issues and interdependence of countries. On the basis of General Assembly resolution 44/227, the Board should incorporate systematically the concept of sustainable development in all the ongoing work of UNCTAD, and should strengthen the in-house capabilities to do so, within overall existing resources. UNCTAD's special analytical capacity regarding commodities, trade policy, technology and development finance could be revitalized by the injection of this new dimension. As the concept of sustainable development was increasingly integrated into UNCTAD's work, the resulting analyses and conclusions might prove useful to more general international discussions now under way. One task for the secretariat could be to study how sustainable development related to micro-economic and structural economic policies for development, and to analyse what this relationship would mean in practice for developing countries, especially in terms of their contributions to the solution of global as well as national environmental problems.

388. Stressing the importance of a broad and adequate technology base to ensure sustainable development, she said that experience had shown that progress in technology allowed for greater industrial output with, at the same time, reduced negative ecological consequences. Group B countries were prepared to co-operate with developing countries in this field, and therefore suggested that the secretariat, taking into account the work being done by other United Nations organs, embark on an analysis of factors that had an impact on the diffusion and the use of adequate and environmentally sound technologies. Regarding the role which private enterprises could play in the transfer of technology, she pointed out that the investment climate in the receiving country as well as the international economic policy environment greatly influenced their decisions.

389. She also favoured investigation by the UNCTAD secretariat of the links between environmental policy and trade policy, in particular how environmental concerns might legitimately be reflected in trade policies without becoming a cover for protectionism. UNCTAD could study the impact of environmental regulations on industrial location and on trade flows, using the UNCTAD Trade Control Measures Information Service. With its unique competence in the commodity field, UNCTAD should pay specific attention to the link between environmental concerns and trade in commodities, taking into account the work being done in this field by FAO.

390. The representative of Sweden, speaking on behalf of Denmark, Finland, Norway and Sweden, stated that many of the views expressed in the secretariat report (TD/B/1267) were shared by the Nordic Governments. He stressed, however, the rapid development of these issues and invited the secretariat to examine further what could be the role of UNCTAD in promoting work in the field of environment and development in view of recent decisions taken in UNEP and other United Nations organs. Commenting on how the preparatory work in the UNCTAD secretariat could be structured in order to respond to the current situation, he suggested first that existing work programmes should be examined to identify direct links between those programmes and sustainable development. Secondly, in view of the increasing acceptance of the concept of sustainability in the use of the natural resource base, there was an urgent need to address the problems of integrating these concerns into the socio-economic development plans and programmes. Thirdly, with regard to the transfer of technology, emphasis should be given to relating UNCTAD's work to the preparations for the 1992 Conference as well as to global agreements and related financial mechanisms in favour of developing countries. In this connection, industry should be encouraged to transfer environmentally sound and locally adapted technology to developing countries. Fourthly, UNCTAD's comprehensive mandate on trade issues would enable the secretariat to look into such questions as the consequences for developing countries of the possible protectionist effects of environmental standards, for example in the context of tropical timber trade. Another topical issue that required further analysis was whether systems of tradable carbon emission permits or other international regulatory mechanisms could be designed so as to work efficiently. Finally, in the context of each item on the agenda of UNCTAD VIII, the concept of sustainable development should be taken into account.

391. He considered that the dimension of sustainable development could be incorporated into every aspect of UNCTAD's work and he highlighted two areas which could be of particular interest. First, in the field of commodities, a number of issues of specific interest for forthcoming conferences would deserve fuller treatment by UNCTAD without encroaching on the work of the different international commodity bodies. One case in point was the question of the development of natural resources in relation to synthetics and substitutes. Secondly, on the central issue of financial support and development co-operation, he felt that future action could only be sustained if the industrialized countries and others in a position to do so were ready to provide the necessary financial resources, particularly in support of the efforts of the developing countries. Indeed, the new requirements of the environment and development should be a powerful incentive for those countries which were still well below the target of 0.7 per cent of GNP for official development assistance to step up their efforts. The sheer magnitude of environmental problems called for new and innovative mechanisms to mobilize adequate funds.

392. The representative of China said that further deterioration of the global economic situation and environment had posed threats to the development and survival of mankind and that the urgency of finding solutions to this problem had brought the issue of sustainable development into sharper focus. Pointing to the interaction between economy and environment, he said that a favourable economic situation promoted a sound environment, which in turn constituted an important condition for sustained economic development, taking into account

the special difficulties of the developing countries. In recent years, the international economic climate had had a negative bearing upon the sustainable development of the developing countries through fluctuating prices of primary products, the prevalence of trade protectionism directed against manufactured products from developing countries and the resulting heavy dependence of their economies on primary products. In addition, their heavy debt burden, as well as their lack of technological facilities and skilled personnel, had made it difficult for developing countries to exploit or process their resources.

393. He considered that sustainable development was a global issue, where both developing and developed countries shared responsibility for achieving the goal of common development, as well as for formulating and implementing domestic policies and strategies that promoted sustainable development. At the same time, developed countries should provide the resources and technology necessary for the developing countries' efforts to be effective, and should create a favourable external economic environment, so as to help these countries to revitalize their dynamism for growth and to eliminate poverty. UNCTAD could and should make a contribution within its mandate to sustainable development, and should continue its research in this field.

394. The representative of Austria observed that particularly high growth rates in energy demand were expected in developing countries as part of their development process. As technological, economic and ecological constraints limited the exploitation and use of fossil energy sources, intensified development of new and renewable sources of energy was becoming a necessity in the transition towards a sustainable global energy system. Austria believed that there was an urgent need to follow up actively on the Nairobi Programme of Action which had been adopted at the 1981 United Nations Conference on New and Renewable Sources of Energy.

395. He pointed out that sound management of the environment could not be carried out exclusively at the national level as environmental degradation did not stop at national boundaries. The preservation of the environment was a common challenge for both the industrialized countries and the developing countries, and it was not surprising to find that developing countries had established a clear link between their environment and their development efforts.

396. In the matter of sustainable development, UNCTAD should move swiftly, both at the intergovernmental level and within the secretariat, and he was encouraged to see that this issue was already being dealt with in some of the main Committees. In responding to General Assembly resolution 44/227, the Board should first and foremost ensure that sustainable development became an integral part of every UNCTAD activity, that it was treated as a standing item and that its relationship with the main subject matter under discussion in a given committee or group of experts should be continuously reviewed. He also emphasized that the crucial step of integrating sustainable development into all UNCTAD programmes and activities did not imply increased competition for scarce UNCTAD resources, but simply added a new dimension to UNCTAD's approach to the development problems of developing countries. It was a matter of turning UNCTAD "green". In addition, one could go further and entrust UNCTAD with specific tasks in this respect.

397. The representative of the Byelorussian Soviet Socialist Republic, speaking also on behalf of the USSR and the Ukrainian Soviet Socialist Republic, stressed that world economic development and the solution of ecological problems were inseparable, as recognized in General Assembly resolution 44/227, and that environmental protection was now a priority area of foreign policy for many countries, including the Soviet Union. The catastrophe of Chernobyl had made the Soviet Union particularly aware of the danger of divorcing economic activities from environmental concerns, which could destroy the resource base for social and economic development and even threaten the very existence of humankind. The USSR had therefore recently proposed that a global strategy be drafted for the protection of the environment and the rational use of natural resources, with the adoption of binding norms and principles to guide the behaviour of States in the environmental sphere, the creation of a United Nations centre for ecological emergency assistance, the free exchange of information in ecological matters, and unimpeded access to sophisticated technology for the protection of the environment.

398. He called for an expansion of UNCTAD's activities on sustainable development and on the relationship between environmental and developmental matters, in particular in the areas of finance, trade policy, technology and commodities. Increased attention should be paid by UNCTAD to the relationship between underdevelopment, exacerbated by increasing indebtedness, and the ensuing damage to the environment. Equally, increased attention should be paid to the co-operation among developing countries in the areas of environmental protection and sustainable development, including the exchange of environmentally sound technology and regional projects. He felt that the UNCTAD Trade Control Measures Information Service should be used to detect the emergence of new ecological trade barriers, for which developing countries were particularly poorly prepared. These and other issues identified by the Board could be given their appropriate place in the future work of the UNCTAD secretariat and its intergovernmental bodies, in the preparations for UNCTAD VIII and the 1992 Conference as well as in the aftermath of those events.

399. The representative of Italy, speaking on behalf of the European Economic Community and its member States, said that promotion of sustainable development was a key objective of Community action. In its declaration on "the environmental imperative" adopted in June 1990, the European Council had recognized that the Community must intensify its efforts to protect and enhance the natural environment of the Community itself and of the world of which it was a part. In particular, the Heads of Council had stressed that the Community should play a major role in assisting developing countries in their efforts to achieve long-term sustainable development. He recalled that the the Community had provided a concrete political impulse for the creation of additional financing mechanisms. Moreover, the importance attached to environmental protection and sustainable resource management in the fourth Lomé Convention was a significant development in this area which should be followed by similar initiatives to strengthen environmental co-operation with the countries of Asia and Latin America that were not part of the Lomé framework.

400. He recognized that UNCTAD had an important role to play in this area. The report of the World Commission on Environment and Development emphasized the links between trade, environment and development, as well as the urgent need to ensure sustainability in the use of the natural resources base in production and trade. In this light, the European Community welcomed the substantial work done by the UNCTAD secretariat to analyse the implications of sustainable development - an analysis which should be the basis for a new approach to development and trade-related issues affecting all aspects of UNCTAD's work. Priority had to be attached to UNCTAD's contribution to the preparations for the 1992 Conference, which had been given the mandate to elaborate strategies and measures to halt and reverse the effects of environmental degradation in the context of increased national and international efforts to promote sustainable and environmentally sound development in all countries.

401. The representative of Venezuela said that, despite the structural changes taking place in the world economy - which included unprecedented economic growth and technological progress in the developed countries - the developing countries still faced impediments to their growth, increasing poverty, worsening terms of trade and a lack of finance for the adoption of environmentally sound policies. Venezuela well understood the magnitude of the environmental problem and its economic dimension, but it refuted the simplistic allegations of the harm done to the environment by the use of hydrocarbon fuels or by the commercial exploitation of the tropical forests. Irrational use of oil should be avoided, and in any case there were many other atmospheric pollutants. Both oil and the forests were vital to the livelihood of the local populations and represented an important source of export revenue.

402. Sustainable development implied a significant and immediate economic and social progress linked to the conservation and rational use of natural resources. This would be possible only through a reorientation of development strategies in a favourable international economic climate. In his view, environmental degradation had been imposed on the developing countries by an international economic order which had impoverished over 75 per cent of the world population, and it had been accelerated by the demands of a rapid integration into the international trading system. Venezuela shared the view that co-operation between developed and developing countries was essential, especially for the creation of additional financial resources and the transfer of efficient and environmentally sound technology on preferential terms. In this connection, his country favoured the establishment of a world fund for the environment. It was necessary to ensure an equitable and differentiated attribution of environmental responsibilities between the two groups of countries. Having long exploited for their own benefit a large part of the world's natural resources, the developed countries were now trying to force environmental policies on the developing countries - often through an unacceptable environmental conditionality - in complete disregard of the slowdown effect of such policies on the development process. Environmental considerations could not be allowed to impinge on the sovereignty of States which had jurisdiction over the natural resources. Furthermore, the developing countries were entitled to fair compensation for the costs occasioned by a new international environmental order.

403. In conclusion, he said that Venezuela looked forward to the 1992 Conference at which, in addition to the various specific environmental measures that might be adopted, it hoped to see emerge the conviction that the eco-system could be protected only through sustainable development.

404. The representative of Egypt said that, at its current session, the Board must try to establish the future activities of UNCTAD in the area of sustainable development, both at the intergovernmental and at the secretariat level. Expressing his delegation's support for the Group of 77's statement on this item, he singled out the following basic principles for special attention in deciding on the orientation of future work: firstly, sustainable development was closely linked to the elimination of poverty and hence priority should be given to measures in favour of the poorer social groups in the developing countries. Secondly, assistance should be given to the developing countries to enable them to manage their economies and natural resource bases in accordance with their own national plans and priorities. Such support should involve additional resources for the developing countries, as called for in the report by the secretariat. Moreover, donors should not impose new conditions for such financial aid. Thirdly, concerning the notion of joint responsibility of developed and developing countries for the healthy management of the environment, it should be recognized that, since economic activities were largely concentrated in the developed countries, the industrial countries were every bit as implicated as were the victims of pollution. Fourthly, the emphasis on the environmental aspects of economic activities should not be used as a pretext for trade restrictions. To this end, his delegation favoured the development in UNCTAD of information on trade control measures. Fifthly, sustainable development was intimately linked with the transfer of technology. While he was pleased to see that some developed countries had encouraged developing countries to acquire environmentally sound technology, he was concerned that other developed countries had been exploiting the environmental aspect in order to impose conditions for the transfer of advanced technology to the developing countries. Finally, he considered that UNCTAD must play a central role in contributing to the 1992 Conference.

405. The representative of the United States of America said that UNCTAD had a potentially useful role to play in translating the idea of sustainable development into tools which its member countries could use to enhance their trade and development prospects. The main task was to integrate sustainability concerns into UNCTAD information services and to help member countries to establish mechanisms for making basic sustainability decisions. She urged the secretariat to work closely with those organizations of the United Nations system which had environmental expertise and to avoid duplicating their activities, for example in the area of global resources for the environment. It was important to link UNCTAD activities and sustainability through the use of the Trade Control Measures Information System to monitor regulations for possible protectionism. The collaborative efforts of the International Trade Centre UNCTAD/GATT with other organizations of the United Nations system, such as UNEP, could provide additional useful ideas for further consideration, such as the need to sharpen the focus of the ITC services on environmentally-related products and technologies. Concerning the ITC project entitled "Quality control information and advisory support at the enterprise level on environmental standards and regulations affecting trade", she requested that her country be informed of the status of this project and about other collaborative efforts of the ITC.

406. She stated that the United States actively encouraged the dissemination of environmentally sound technologies to developing countries. It was important to bear in mind, however, that the transfer of technology in the framework of sustainable development was often a neutral tool, the usefulness of which depended on how it was used and the control of which rested with the private sector, so that donor Governments could only encourage but not enforce its wider dissemination.

407. With regard to the 1992 Conference on Environment and Development, she urged the UNCTAD secretariat to assess the most effective ways in which it could make its contribution, both in the preparatory work and in the follow-up. Finally, she emphasized that any UNCTAD activity in the area of sustainable development should be accomplished within existing budgetary resources.

408. Commenting on the statements made in the debate on sustainable development, the Chairman noted that delegations had expressed appreciation for the secretariat report (TD/B/1267), which was scientific in approach and succeeded in linking the development process to environmental aspects in areas of work falling within the mandate of UNCTAD. Some delegations, however, had drawn attention to weak points in the report. They considered, for example, that insufficient attention had been paid to the root causes of the lack of development, such as the debt burden and a hostile environment. Some felt that the report did not clarify the positive relationship between the environment and development. There had also been some dissatisfaction with chapter III on sustainable development and UNCTAD programmes.

409. He noted that all participants had reaffirmed the role of UNCTAD in studying the relationship between the environment and development and in contributing to efforts to protect the environment. There had been several specific proposals founded on the desire to give sustainable development a guiding role in the search for solutions to the problems dealt with in UNCTAD. Pointing to the need for a programme of action to enhance sustainable development, various participants had made the following proposals and observations:

- UNCTAD should participate in the preparations for the 1992 Conference, and in this process there should be full co-operation between the UNCTAD and UNCED secretariats;

- The UNCTAD secretariat should prepare studies and analyses in this context to be taken into account by Governments in measures adopted for their national economies;

- To this end, assistance would be needed for the establishment of instruments and mechanisms at the national level;

- The UNCTAD secretariat should study the management of environmental risks, analyse the factors involved in using adequate and environmentally sound technologies and evaluate the relationship between development policy and trade policy. It should also examine the impact of the environment on the trade flows of the land-locked and island developing countries;

- Another proposed area of study was how the problems of the developing countries impinged on the way in which they exploited their natural sources, and how this in turn affected the protection of the environment. In order to safeguard the environment, it would be necessary to help the developing countries to put an end to their impoverishment, which was a prime cause of environmental degradation;

- International co-operation in the United Nations system should focus on environmental aspects of development, with priority being given to the least developed countries. Some participants considered that it was necessary to set up an international fund for the environment oriented towards sustainable development;

- Finally, there was a need for an exchange of information and ideas as well as co-operation in general between UNCTAD and other United Nations bodies concerning the environmental aspects of development.

Action by Sessional Committee I

410. At the 5th meeting, on 8 October 1990, the spokeswoman for Group B (Norway) introduced a draft resolution on agenda item 8 (a) submitted by Norway on behalf of the States members of Group B (TD/B(XXXVII)/SC.1/L.2).

411. At the 6th meeting, on 9 October 1990, the spokesman for the Group of 77 (Malaysia) introduced a draft decision on agenda item 8 (a) submitted by Senegal on behalf of the States members of the Group of 77 (TD/B(XXXVII)/SC.1/L.3).

412. At its 7th (closing) meeting, on 12 October 1990, Sessional Committee I approved the draft decision on this item submitted by the Chairman (TD/B(XXXVII)/SC.1/L.5) and recommended it to the Board for adoption.

413. The draft decisions in TD/B(XXXVII)/SC.1/L.2 and TD/B(XXXVII)/SC.1/L.3 were withdrawn by their sponsors.

Action by the Board

414. At the 780th meeting, on 12 October 1990, the Board adopted draft decision TD/B(XXXVII)/SC.1/L.5 without dissent (for the text, see part I above, decision 384 (XXXVII)).

B. Economic co-operation among developing countries:

(i) Analyses and proposals for the facilitation of trade expansion among developing countries (para. 4 (f) of resolution 4 (V) of the Committee on Economic Co-operation among Developing Countries)

(ii) Problems of trade financing in developing countries (para. 4 (c) (iii) of resolution 4 (V) of the Committee on Economic Co-operation among Developing Countries)

415. For its consideration of agenda item 8 (b) (i) the Board had before it the following document:

"Trade expansion among developing countries: constraints and measures to overcome them" - report by the UNCTAD secretariat (TD/B/1260).

Consideration in Sessional Committee I

416. Introducing agenda item 8 (b), the representative of the UNCTAD secretariat outlined the salient points of the report by the secretariat (TD/B/1260).

417. The spokesman for the Group of 77 (Sudan), highlighting those policy conclusions of the secretariat report that his Group considered to be the most important and relevant, said that, while the Group of 77 readily accepted that developing countries should liberalize trade by removing and reducing tariffs, any action in this respect had to bear in mind the impact of tariff reductions on fiscal revenue. He suggested that the Board should authorize a detailed study on the possibility of raising fiscal revenue by alternative means or by a more effective method of duty collection. The study should make a precise assessment of the anticipated loss of revenue that would result from reducing tariffs and liberalizing trade in the short and long run.

418. He said that two crucial structural factors were sapping the capacity of developing countries to co-operate in trade: the first was the balance-of-payments constraints caused by the combined effect of declining export earnings and debt repayments; the second was the macro policy constraints dictated by the adjustment needs and programmes carried out by developing countries in recent years. These two structural factors illustrated the negative effect of the deteriorating external environment on developing-country trade. Long-run structural factors included the lack of trade-financing facilities in general and of such facilities for non-traditional exports in particular; the poor marketing, distribution and transport networks of developing countries; and the need for closer integration and co-ordination of national policies among developing-country groups. In this context the Group of 77 pinned great hopes on co-operation with other groups, in particular Group B countries' participation in co-operative efforts to establish trade-financing facilities for non-traditional exports of developing countries. Decision 4 (V) of the Committee on Economic Co-operation among Developing Countries asked the secretariat to assess the feasibility of such a scheme and to indicate measures to improve existing facilities. It had been stressed that UNCTAD's work in this area, together with its related work in promoting the clearing and payments arrangements of developing countries, was of high priority to the Group of 77. The Group of 77 looked forward to the study which would be presented to the Board at a future session and called upon other groups to support the efforts in this regard. The Group of 77 would also like to have a progress report on the secretariat's work in this area.

419. Concerning integration groupings and national policy measures, he recalled that the Committee had spelt out guidelines for support measures to revitalize the integration groupings. Regarding the recommendations of the Heads of the Integration Groupings Secretariats, he assumed that the UNCTAD secretariat had been working on some aspects of this problem in co-operation with the secretariats of integration groupings, and he expressed an interest in receiving information on the progress.

420. Finally, referring to the report published by the South Commission entitled The Challenge to the South, he said that the report unequivocally assigned responsibility to the developing countries for the development of their mutual co-operation. At the same time, the report pointed to the responsibilities of the international community, including the international organizations, in supporting the efforts of the developing countries and not hampering them in their task. He commended for particular attention chapter IV of the report, which gave an overview of the challenges and the elements for a global strategy for South-South co-operation. Were it to be implemented with dedication and in earnest, this strategy would contribute greatly to the development of the developing countries, and would also boost international economic and political co-operation in general.

421. The representative of the European Economic Community regretted that the subject of the GSTP was not discussed in a more comprehensive way in the secretariat report (TD/B/1260), since it appeared to be the essential element of the efforts to expand trade among developing countries. An appropriate degree of transparency on this matter, both with regard to the activities of the secretariat and to the GSTP and trade relations among developing countries, should be an essential feature of the Board's debate. The European Community attached importance to this subject not only because economic co-operation among developing countries could be a significant contribution to world economic growth and the expansion of international trade as a whole, but also because the Community's own experience demonstrated the substantial benefits which could be derived from co-operation and integration for the countries involved. The Community, noting the deceleration in the growth of South-South trade during the 1980s in contrast to the 1970s, recognized that this was due not only to the economic environment but also to structural factors in the developing countries themselves. He noted, however, that since 1986, as stated in paragraphs 7 and 8 of TD/B/1260, the situation of developing countries had improved in some respects. However, as pointed out in paragraphs 24 and 25 of the report, the experience of South and South-East Asian countries, whose trade had increased in 1987 and 1988 at an accelerated pace, had been very different from that of African and Latin American countries, where exports had been steadily decreasing until 1988.

422. Major trade liberalization reforms in a number of developing countries in the late 1980s were also documented in the report. These reforms had led to lower tariffs and a lower incidence of non-tariff barriers with greater emphasis on export enhancement as opposed to inward-looking import substitution policies. The European Community believed that these trade policy reforms were in the best interests of the developing countries and would represent a potent stimulus for the expansion of trade among them as well as between developing and developed countries.

423. The European Community had long been aware of the structural obstacles to South-South trade which were described in the report: the weakness of the transportation network; the lack of marketing skills, market knowledge or access to channels of information and distribution necessary to export highly differentiated manufactured goods; the crucial importance of direct foreign investment and its scarcity in developing countries as a whole and the poor availability of trade financing. The Community had addressed all these questions as well as others from the beginning of its contractual relationship with the African, Caribbean and Pacific (ACP) countries. Sixty-nine developing

countries now benefited from this relationship under the terms of the Fourth Lomé Convention. Particular priority had been given to regional co-operation in the Lomé Conventions, including regional co-operation between ACP and non-ACP countries. Article 157 of the Fourth Lomé Convention echoed the corresponding texts of previous Conventions in stating that regional co-operation could cover not only operations agreed on between ACP countries but also projects and programmes agreed on between ACP countries and one or more non-ACP, non-neighbouring developing States and, when special circumstances so warranted, between one ACP country and one or more non-ACP non-neighbouring developing countries. Under these Conventions, the European Community was providing substantial financial support to promote regional co-operation and integration of developing countries. Moreover, outside the ACP area, the Community was also providing technical as well as financial assistance to several secretariats of economic co-operation and integration groupings.

424. The European Community wished to underline one aspect of the secretariat report which had enormous importance for the development of trade among developing countries, namely the increasing role of the private sector. The Community agreed with the report that competition could promote a more effective use of resources and price adjustments through market forces and provide incentives to initiate new economic activities or eliminate those which were not economically justified. The Community also subscribed to the view that the promotion of private enterprise, and of the economic environment in which it could expand, might require positive government action, since a competitive and dynamic private sector might often not emerge without the development of new legislation, new skills and new institutions.

425. With regard to the GSTP, he invited the UNCTAD secretariat to inform the Board, at the earliest occasion, of the latest developments in this area. The growing disparities between the rates and levels of economic development among individual countries and regions implied the need for trade liberalization in accordance with the degree of development of each developing country. The European Community welcomed the provision in the GSTP for special treatment to the least developed countries, including non-reciprocity of concessions. He felt that the Uruguay Round offered an important opportunity for further liberalization of South-South trade since it was not simply an opportunity for opening up developed-country markets.

426. As for the problems of trade financing in developing countries, the European Community was sceptical about the idea of establishing an interregional trade-financing facility for developing countries. The Community believed that it would be more useful to pursue efforts to improve the possibilities for financing trade at the level of regional integration or to promote efforts to make developing-countries' currencies more stable and convertible. Support for the setting up or strengthening of regional payments mechanisms, including clearing and financing facilities for trade, was already one of the goals of regional co-operation under the Lomé Convention, which applied to African, Caribbean and Pacific developing countries. The Community was also supporting clearing-house type arrangements in other developing regions, such as Central America.

427. The spokesman for Group B (Germany) stated that the of Group B countries had followed with much interest the efforts of the recent South-South summit in Kuala Lumpur which had undertaken to give new momentum to South-South co-operation in a wide range of different economic fields. Group B had always actively supported the efforts of developing countries to develop their mutual trade and their regional integration. The furthering of such co-operation was an important instrument for the improvement of the economic well-being of developing countries. The great hopes for South-South trade had not yet been realized. In its report the UNCTAD secretariat stated rightly that South-South trade had become the weakest link in the network of international economic relations, although a relatively sluggish recovery had taken place since 1986.

428. Group B was of the opinion that the world economy would be strengthened by the end of confrontation between East and West. The resolve of OECD countries, and of Central and Eastern European countries, to improve co-operation and economic performance would also strengthen the world economy. Group B expected that these developments would have a positive impact on ending strife and armed conflict between nations and within nations in all parts of the world. Against this background the increased desire in the South to improve co-operation should find a new momentum and Group B would extend its full support to this effort.

429. It was Group B's view that the most important task for achieving South-South trade expansion was the removal of the various trade barriers to such trade, as well as of various structural and administrative export disincentives at the national policy level. Group B appreciated the fact that, in a period when the positive influence of the private sector was increasingly recognized, the UNCTAD secretariat had devoted attention to the positive role of direct foreign investment and of the private sector.

430. Group B was of the opinion that there was a need to improve export incentives to trade among developing countries. This could best be accomplished by adopting trade policy régimes which were broadly neutral in their encouragement of production for export or for domestic consumption, including a lowering of barriers to imports of products exported by developing countries. In this way, market signals and opportunities for profit would lead to a steady growth in trade among developing countries. The Global System of Trade Preferences (GSTP) could be a vital instrument for such trade policies. Unfortunately the report dealt only briefly and in a very general way with this subject. Group B would welcome receiving more information on the GSTP and its potential for strengthening and expanding South-South trade. Group B had stated on various occasions that trade liberalization which excluded countries on certain political criteria would not be able to exploit its full potential in furthering the aim of development and sustained economic growth among developing countries. Indeed, new restrictions and discrimination would not be a suitable instrument for the integration of developing countries into the world economy. The GSTP must therefore be in full conformity with the principles of universality and transparency which were of fundamental importance in the United Nations and in UNCTAD-sponsored activities.

431. The representative of China observed that strengthening South-South economic co-operation and promoting the economic development of the developing countries would not only be beneficial for the developing countries but also for the stabilization and expansion of the entire world economy. Although the main responsibility for the development of South-South trade lay with the developing countries themselves, their efforts were often hampered by such factors as lack of development resources, backward technology and the poor quality of certain products, coupled with insufficient export transport capacity and lack of the necessary marketing network - all of which adversely affected the development of South-South trade. The negative external factors included the sluggish economic growth of developed countries, the low prices of primary commodities on the international market and the rampant trade protectionism vis-à-vis developing countries.

432. As a developing country itself, China attached great importance to developing trade relations with other developing countries. China was of the opinion that in such areas as the resolution of the debt crisis, measures to reduce trade protectionism, improvement of the terms of trade of the developing countries and flows of financial resources to them the international community should actively seek to adopt practical and realistic mechanisms. For their part, the developing countries should make efforts to overcome their own deficiencies, take advantage of their complementarity and actively develop trade among themselves. The GSTP Agreement should expand its country and commodity coverage, increase the degree of preference, and effectively promote South-South trade. South-South co-operation should observe the principle of universality, in the sense that all interested developing countries with common interests and development goals should have the right to participate.

433. The representative of the Union of Soviet Socialist Republics affirmed that his country gave full support to ECDC and shared the concern of the developing countries at the economic slow-down in South-South trade, as well as at the declining share of developing countries in world trade. The latter phenomenon was due to such unfavourable factors as the growing debt of developing countries and the sluggish demand for raw materials. Nevertheless, he was pleased to see that, in the process of the implementation of the ECDC programme, intentions and declarations had given way to practical steps. As examples, he cited a number of interregional mechanisms such as the GSTP, the co-operation of State Trading Organizations, the Trade Information System, the financing and refinancing mechanisms of mutual trade, the growth of countertrade and the expansion of multinational trading enterprises. Affirming his country's total support for the GSTP, he said it was essential that, in the process of implementation, the interests of other country groups should be given due regard. The GSTP should not discriminate against non-participant countries and should not favour some at the expense of others. The role of UNCTAD was very important, in particular in monitoring the developments in the GSTP negotiations.

434. He also referred to the growing importance of financing of South-South trade, of the necessary link between the GSTP and monetary co-operation, of the need for closer co-operation among developing countries at the level of enterprises, and of the proliferation of joint ventures and the establishment of multinational enterprises. Activating such forms of co-operation among developing countries could also encourage wider co-operation of Soviet

enterprises with the organizations and enterprises of developing countries, including multinational firms. He noted that this co-operation would be consistent with the trend of economic reforms in the USSR.

435. Finally, he stressed that the ECDC programme should be implemented within the available resources and in active co-operation with the facilities offered by the ITC, GATT, FAO, UNIDO and UNDP.

436. The representative of Yugoslavia said that the secretariat report (TD/B/1260) was useful and comprehensive, but there was still a need for more detailed studies to single out elements for future action on trade expansion. It would be very difficult for the developing countries to expand their mutual trade without adequate financing, especially in view of their debt burden. He therefore urged the secretariat to complete the study on regional financing facilities called for in Committee decision 4 (V) as soon as possible.

437. Recalling that Yugoslavia was the depositary country for the Agreement on the GSTP, he reported on developments in the GSTP since the fourth session of the Committee. Work had continued on strengthening the basis of the Agreement with a view to accelerating its implementation. Of the 48 countries which had signed the Agreement, 34 had now ratified it and some others were in the process of doing so. For the proper implementation of the Agreement, it would be necessary to establish a sound basis for rules of origin, and the submission by all countries of information on such rules was a condition for increasing trade among the parties to the Agreement. More time was thus needed for the gathering of information on the full operation of the GSTP.

438. He stated that GATT had now been formally notified of the GSTP Agreement, under Part IV of the General Agreement.

439. Much time had been devoted to the question of financing under the GSTP. The resources from the Perez-Guerrero Trust Fund had been exhausted, so a new funding for the Trust Fund had been called for and obtained. In parallel with this, a scheme for individual contributions by the participating countries was under discussion with a view to making the GSTP fully self-financing.

440. Finally, he said that participants were not yet ready for a second round of negotiations on the GSTP, since it was necessary to await the outcome of the Uruguay Round. It was therefore expected that the preparations for the second round would be initiated some time in 1991 and that it would take account of the outcome of the Uruguay Round. In this process, he pointed out that the material on ECDC prepared by the UNCTAD secretariat would be very useful.

441. The representative of Afghanistan observed that economic co-operation among developing countries was a proper means for the promotion of the rational and efficient use of human, material, financial and technological resources of developing countries. Such co-operation would contribute to the strengthening of the solidarity and collective self-reliance of developing countries and would diversify their economic relations. In short, ECDC should be seen as the expression of the political will to achieve economic

independence. Increasing protectionism was reducing the export earnings of many developing countries, and South-South trade could to some extent compensate for this loss.

442. He shared the view expressed in the secretariat report (TD/B/1260) that some natural and policy barriers in developing countries were hindering the smooth expansion of the South-South trade, and that developing countries should overcome these obstacles. One of these structural obstacles to South-South trade for Afghanistan, as a land-locked least developed country, was the weakness of the transportation network and the lack of transit facilities in the neighbouring countries. In the absence of coherent transit policies and the mechanisms required to consolidate and rationalize such transboundary movement of goods, South-South trade could not flourish. As pointed out in TD/B/1260, these natural and policy barriers artificially favoured trade with the industrialized world.

443. To promote conditions conducive to the promotion of South-South trade, the Government of Afghanistan had recently decided to apply for membership of the Bangkok Agreement in order to benefit from mutual trade co-operation in the region.

444. The representative of the Islamic Republic of Iran stressed the importance of trade among developing countries, which was considered by his country to be not only an instrument of solidarity among developing countries but also a pre-condition for other forms of international co-operation. The significance of South-South trade was currently magnified by the expected slow-down in the economic growth of the developed countries in the 1990s.

445. Referring to the secretariat report (TD/B/1260), he said that there was a danger that one might conclude from the report that the solution to the development problems of the developing countries was merely a matter of expanding their mutual trade and that it was only necessary to abolish obstacles to such trade and to create favourable conditions for its expansion in order to achieve sustainable development. He pointed out that, even if the current barriers restricting the expansion of South-South trade were removed, the progress from the point of view of development would not be significant because the developing countries faced enormous financial problems. The small amount of foreign currency which they possessed or were able to earn through their exports was often used to purchase capital equipment. Since such purchases were usually made from the developed countries, it was to be expected that trade with those countries would remain important. He therefore felt that the development of the developing countries went beyond the expansion of their mutual trade and required them to be able to export to the developed countries products in which they had a comparative advantage. In this regard, he observed that the development of the third world would be of benefit to all countries, including developed countries. This was not to say that his delegation did not appreciate the secretariat report. He would, however, wish to highlight two points for further study or attention. Firstly, he would welcome a more detailed examination of the alternatives proposed in order to compensate the developing countries for the loss of fiscal revenue resulting from the lowering of tariffs on South-South trade. Secondly, he urged the UNCTAD secretariat to extend its technical assistance to the developing countries in their effort to expand their mutual trade.

446. Commenting on the discussions which had taken place on item 8 (b), the Chairman noted that delegations had expressed appreciation for the report by the secretariat (TD/B/1260), although some had felt that there should be more detailed studies that took account of all relevant elements that could lead to expanded trade among developing countries. Speakers had emphasized the importance of ECDC, which was seen as playing a distinct role in international development and the expansion of trade, to the advantage of all countries concerned. Participants had drawn attention to a number of problems confronting trade among the developing countries, for example the need for restructural adjustments, the lack of financial facilities and the pressures exerted by the debt burden, together with other unfavourable circumstances, affecting the developing-countries' exports, specifically their non-traditional exports. Some had called for an international system for regulating exchange rates and promoting greater co-operation and trade among developing countries. Others had referred to the fact that inadequate development often stemmed from structural - and not just environmental - factors, such as weaknesses in the transport and distribution networks, etc. They welcomed the efforts made by some developing countries to liberalize their trade and argued in favour of neutral trade policy régimes to encourage production for exports or for consumption. Some countries had noted the assistance given in the framework of the Fourth Lomé Convention to promote regional co-operation and underlined the importance of the role to be played by the private sector in the trade of developing countries. The view had also been expressed that the ending of East/West confrontation and various multilateral efforts now under way - including on the part of OECD countries - should promote economic development and have a favourable impact on situations of conflict throughout the world, and hence promote ECDC.

447. Finally, he noted that some delegations, recognizing the importance of the Global System of Trade Preferences among developing countries (GSTP), had requested further information on the operation of this system and in this regard had laid emphasis on the need for transparency. One representative, whose country was the depositary of the Agreement on the GSTP, had stated that efforts had so far focused on procedural problems: the basis of the Agreement needed to be strengthened, and it would be some time before information on the operation of the Agreement became available. He noted that the GSTP Agreement had been formally notified to GATT. Some countries had welcomed the report published by the South Commission and had underlined the need to consider remarks therein relating to ECDC.

Action by Sessional Committee I

448. At the 6th meeting, on 9 October 1990, the spokesman for the Group of 77 (Sudan) introduced a draft decision on agenda item 8 (b) submitted by Senegal on behalf of the States members of the Group of 77 (TD/B(XXXVII)/SC.1/L.4).

449. At its 7th (closing) meeting, on 12 October 1990, Sessional Committee I approved the draft decision on this item submitted by the Chairman (TD/B(XXXVII)/SC.1/L.6) and recommended it to the Board for adoption.

450. The draft decision in TD/B(XXXVII)/SC.1/L.4 was withdrawn by its sponsor.

Statements made at the 7th (closing) meeting of Sessional Committee I

451. The spokesman for Group B (Germany) said that the decision on sustainable development (TD/B(XXXVII)/SC.1/L.5) gave a new dimension to UNCTAD activities, both at the intergovernmental and at the secretariat level. The consensus text would undoubtedly give the secretariat guidance in focusing on priority areas. He was confident that UNCTAD would make a useful contribution to the United Nations Conference on Environment and Development - a Conference to which all Group B countries attached great importance. His Group was also pleased with the outcome on the agenda item on ECDC (item 8 (b)) and was confident that the secretariat would enhance its useful work in response to the decision on this item (TD/B(XXXVII)/SC.1/L.6), focusing on the main impediments and disincentives which adversely affected the expansion of trade among developing countries. In the view of Group B, the study called for in this area, which was so important for strengthening the export and import capabilities of developing countries, should cover disincentives both with regard to market access and with regard to lack of outward orientation of national economies. The latter aspect included both legislative and administrative impediments. His Group would also be pleased if efforts to improve market access for developing countries through the GSTP were not excluded from the study. The Group B countries were ready to help in the efforts of the developing countries to strengthen their export capabilities among themselves, but also vis-à-vis developed countries.

452. The representative of China, commenting on the successful outcome of the Committee on agenda items 8 (a) and 8 (b), said that the decisions just approved would provide useful inputs and an impetus to the work of UNCTAD in these two areas of work. He felt that the spirit of co-operation which had prevailed in the Committee was commendable.

453. The spokesman for the Group of 77 (Sudan) said that the two main items referred to Sessional Committee I were questions of fundamental importance on the agenda of the thirty-seventh session. A fine spirit of co-operation had enabled the Committee to approve decisions on both items. The decision on item 8 (b) reflected the impediments and difficulties confronting the developing-countries' trade. In fulfilling the mandate given in this decision, the secretariat should not be restricted to one element among these interrelated impediments. He considered that all obstacles to trade were linked and that the secretariat should not have to single out one kind of obstacle at the expense of the others.

Action by the Board

454. At the 780th meeting, on 12 October 1990, the Board adopted draft decision TD/B(XXXVII)/SC.1/L.6 without dissent (for the text, see part I above, decision 385 (XXXVII)).

455. Also at the 780th meeting, the Board decided to remit to a future session item 8 (b) (ii), "Problems of trade financing in developing countries (paragraph 4 (c) (iii) of resolution 4 (V)) of the Committee on Economic Co-operation among Developing Countries".

C. Export promotion: report of the joint advisory group on the International Trade Centre UNCTAD/GATT on its twenty-third session

(Agenda item 8 (c))

456. For its consideration of this item, the Board had before it the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT at its twenty-third session (ITC/AG(XXIII)/122 and Add.1 distributed under cover of TD/B/1268).

457. The Vice-Chairman of the Joint Advisory Group introduced the report of the Group on its twenty-third session. He reviewed the main conclusions and recommendations formulated with regard to a number of subprogrammes which had received particular attention by the Group. He added that the meeting had endorsed the overall thrust of the strategy proposed by ITC for the MTP period and agreed that ITC should further refine its priorities in this respect. The importance of co-ordination at all levels as well as the need to strengthen ITC's technical capability had been particularly stressed.

458. He noted with appreciation that at the Joint Advisory Group's twenty-third session, the following countries had announced trust fund contributions to the Centre: Austria, Canada, China, Denmark, Finland, France, India, Indonesia, Ireland, Japan, Republic of Korea, Malta, Norway, Poland, Sri Lanka, Sweden, Switzerland. On behalf of the Group, the Vice-Chairman expressed his deep gratitude to these various Governments.

459. The representative of China underlined the significant role played by ITC in promoting trade in developing countries, particularly in the areas of export market development, export quality control, strengthening trade information and advisory institutions, training of trade personnel and export packaging. He noted that the volume of UNDP contributions to ITC was increasing; further efforts should, however, be made to obtain more trust fund resources. Regarding the 1992-1997 Medium-Term Plan, co-ordination should be accelerated in the light of the needs of the developing countries so that ITC's priorities could be appropriately presented to JAG at its twenty-fourth session.

460. The representative of Finland, speaking on behalf of the Nordic countries (Denmark, Finland, Norway and Sweden) recalled the Nordic countries' support to ITC's activities, which was evident as the Nordic countries' combined share of ITC's programme financing through UNDP and trust fund contributions was one third of the total. He indicated the Nordic countries' support to the recommendations of JAG at its twenty-third session. He referred in particular to a number of new challenges ITC was addressing; in this connection, the Centre's regional strategy was particularly welcome. He stressed the importance of the role of women in trade development, human resource development, environmental aspects and the needs of LDCs in the planning of ITC's work. The Nordic countries were confident that ITC's new orientations merited a close look also from some major donors who had not yet discovered ITC as an efficient tool in assisting developing countries integrate in the international economy through increased trade. The Nordic countries were also prepared to support a decision to the effect that the regular budget of ITC be reviewed in light of the growth in both the demand for, and the delivery of,

ITC's support to developing countries. Referring to the discussions regarding ITC's Medium-Term Plan, he was confident that, with a further streamlining of administrative structures, and with increased transparency in planning procedures, ITC would be in a position to meet some of the most demanding development challenges during the 1990s.

461. The representative of Bangladesh expressed appreciation of ITC's contribution to the trade development efforts of developing countries. He noted that ITC's programme of assistance to least developed countries accounted for approximately 30 per cent of its total resources and expressed satisfaction that the Centre had drawn up a Special Programme of Technical Assistance Co-operation with the Least Developed Countries for the decade of the 1990s. He also noted the increasing confidence of the donors in ITC's role which was manifested through their increasing contributions to ITC. He expressed the hope that in future ITC would be able to provide more assistance to LDCs in human resource development within the framework of suitably designed projects and programmes. He appealed to all donors to make generous contributions to ITC. He concluded by expressing his delegation's agreement with the recommendations contained in the report of the twenty-third session.

462. The representative of the USSR commended ITC's work in expanding the foreign trade of developing countries. He agreed with the recommendations contained in the report. He referred particularly to the recommendations relating to the export of services and to the ecological aspects of trade. He also emphasized trade in technologies and engineering products as a promising and important area in the work of ITC. He underlined ITC's prominent role in assisting LDCs, especially with regard to those tasks recently formulated at the Paris Conference. He further mentioned the importance of recent developments in Eastern Europe which would evidently lead to new conditions of co-operation with developing countries and indicated that the USSR was already contributing to ITC's technical co-operation programme.

463. The representative of Chile, speaking on behalf of the Latin American Group, acknowledged the important role of ITC in enhancing the export capabilities of developing countries. He expressed gratitude to all those countries which had announced contributions to ITC, and appealed to all donors to continue to contribute to the Centre so that it could continue and expand its activities in the years to come.

464. The representative of Egypt expressed his support for the recommendations contained in the report and commended ITC for its valuable work in support of developing countries and paid tribute to the efficient management of the Director-General and Deputy Director-General.

465. The President, speaking as representative of France, underlined the essential role played by the Centre in enabling developing countries to accede to development through the expansion of their trade.

466. The spokesman for the Group of 77 (Senegal) expressed his Group's support for the previous statements commending ITC's work in enhancing the trade of developing countries. He hoped that the appeal for increased contributions would be heard by all the specialized institutions working with GATT and UNCTAD, thus enabling ITC to carry out its tasks in the best interest of developing countries.

Action by the Board

467. At its 779th meeting, on 9 October 1990, the Board took note of the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty-third session and of the comments made thereon.

D. Progressive development of the law of international trade: twenty-third annual report of the United Nations Commission on International Trade Law

(Agenda item 8 (d))

468. At its 775th meeting, the Board took note of the report of the United Nations Commission on International Law on the work of its twenty-third session (A/45/17), which had been submitted to the Board for comment (under the cover of TD/B/1269) in pursuance of General Assembly resolution 2205 (XXI), section II, paragraph 10.

Chapter VII

OTHER MATTERS REQUIRING ACTION BY THE BOARD ARISING FROM OR RELATED TO REPORTS AND ACTIVITIES OF ITS SUBSIDIARY AND OTHER BODIES

(Agenda item 9)

A. Restrictive business practices

Consideration in Sessional Committee II

469. The representative of Sweden, in the absence of the Chairman of the Intergovernmental Group of Experts on Restrictive Business Practices, introduced the report of the Intergovernmental Group on its ninth session, held from 23 to 27 April 1990 (TD/B/1261-TD/B/RBP/76). At that session, the Intergovernmental Group had served as the preparatory body for the Second United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, to be held from 26 November to 7 December 1990. At its ninth session, the Group had, inter alia, adopted agreed conclusions.

Action by Sessional Committee II

470. At its 5th meeting, on 8 October 1990, Sessional Committee II took note of the report of the Intergovernmental Group of Experts on Restrictive Business Practices on its ninth session (TD/B/1261-TD/B/RBP/76) and endorsed the Intergovernmental Group's agreed conclusions.

Action by the Board

471. At the 780th meeting, on 12 October 1990, the Board took note of the report of the Intergovernmental Group of Experts on Restrictive Business Practices on its ninth session (TD/B/1261-TD/B/RBP/76), and endorsed the agreed conclusions annexed thereto.

B. Invisibles and financing related to trade

Consideration in Sessional Committee II

472. The representative of Kenya, in the absence of the Chairman of the Committee on Invisibles and Financing related to Trade, introduced the reports of the Committee on the first and second parts of its thirteenth session, held from 5 to 9 February and 30 April to 8 May 1990 (TD/B/1249-TD/B/C.3/237 and TD/B/1262-TD/B/C.3/239 respectively). He drew attention in particular to Committee resolutions 33 (XIII) and 34 (XIII).

Action by Sessional Committee II

473. At its 5th meeting, on 8 October 1990, Sessional Committee II took note of the reports of the Committee on Invisibles and Financing related to Trade on its thirteenth session (TD/B/1249 and TD/B/1262) and endorsed the resolutions contained therein.

Action by the Board

474. At the 780th meeting, on 12 October 1990, the Board took note of the report of the Committee on Invisibles and Financing related to Trade on the first part (insurance) of its thirteenth session (TD/B/1249-TD/B/C.3/237) and endorsed the provisions of resolution 33 (XIII) annexed thereto; and took note of the report of the Committee on the second part (financing related to trade) of its thirteenth session (TD/B/1262-TD/B/C.3/239) and endorsed the provisions of resolution 34 (XIII) annexed thereto.

C. Preferences

Consideration in Sessional Committee II

475. The Chairman of the Special Committee on Preferences at its seventeenth session introduced the report of the Special Committee on its seventeenth session (TD/B/1263-TD/B/C.5/132). That session, held from 14 to 22 May 1990, had constituted the second 10-year comprehensive review of the GSP. He drew attention to resolution 11 (XVII) and agreed conclusions 12 (XVII) adopted by the Special Committee.

Action by Sessional Committee II

476. At its 5th plenary meeting, on 8 October 1990, Sessional Committee II took note of the report of the Special Committee on Preferences on its seventeenth session (TD/B/1263-TD/B/C.5/132) and endorsed the resolutions and agreed conclusions contained therein.

Action by the Board

477. At the 780th meeting, on 12 October 1990, the Board took note of the report of the Special Committee on Preferences on its seventeenth session (TD/B/1263-TD/B/C.5/132) and endorsed the provisions of resolution 11 (XVII) and agreed conclusions 12 (XVII) annexed thereto.

D. Shipping

Consideration in Sessional Committee II

478. The representative of Norway, in the absence of the Chairman of the Committee on Shipping, introduced the report of the Committee on its fourteenth session, held from 21 to 29 June 1990 (TD/B/1264-TD/B/C.4/336). At that session, the Committee had adopted resolutions 64 (XIV), 65 (XIV), 66 (XIV) and 67 (XIV). With regard to resolution 66 (XIV) on the subject of maritime liens and mortgages, she informed the Board that the IMO Legal Committee, at its sixty-third session, had endorsed the recommendations of the UNCTAD Committee on Shipping and recommended to the IMO Council that it lend its support to the recommendations. With respect to the Review Conference on the Code of Conduct for Liner Conferences, she said that the Board might wish to note that the process of informal consultations on the draft rules of procedure for the Review Conference on the Liner Code was continuing under the Chairmanship of the Secretary-General of UNCTAD. A further two-day meeting was scheduled to take place in Geneva on 31 October-1 November 1990. If an

informal agreement on the rules of procedure was obtained at that meeting, it might be envisaged that a resumed session of the Review Conference could be held sometime in 1991.

Action by Sessional Committee II

479. At its 5th meeting, on 8 October 1990, Sessional Committee II took note of the report of the Committee on Shipping on its fourteenth session (TD/B/1264-TD/B/C.4/336) and endorsed the resolutions annexed thereto.

Action by the Board

480. At the 780th meeting, on 12 October 1990, the Board took note of the report of the Committee on Shipping on its fourteenth session (TD/B/1264-TD/B/C.4/336) and endorsed the provisions of resolutions 64 (XIV), 65 (XIV), 66 (XIV) and 67 (XIV) annexed thereto.

E. Island developing countries

Consideration in Sessional Committee II

481. The representative of New Zealand, in the absence of the Chairman of the Meeting of Governmental Experts of Island Developing Countries and Donor Countries and Organizations, introduced the report of the Meeting, which had been held from 25 to 29 June 1990 (A/CONF.147/5-TD/B/AC.46/4).

482. The Chief of the Special Programme for Least Developed, Land-locked and Island Developing Countries, after outlining the documentation prepared for the Meeting and the recommendations of the Meeting, said that the Strategic Framework, which constituted the substantive outcome of the Meeting, would form the basis for co-operation between the island developing countries (IDCs) and their development partners. The report of the Meeting would be made available to the General Assembly.

483. The representative of Malta said that his delegation noted with satisfaction that in the Declaration on International Economic Co-operation, adopted by consensus at the eighteenth special session of the General Assembly, it had been agreed that the special development problems and needs of island developing countries should be addressed, to cope with the challenges of the 1990s.

484. As an island developing country, Malta appreciated the work done by the UNCTAD secretariat to assist island developing countries. However, additional human and financial resources were necessary to address the IDCs' problems and to undertake the studies requested in the concluding part of chapter II of the report of the IDC Meeting, which should serve as the basis for future follow-up action in favour of IDCs. In this regard, his delegation reiterated the proposal made by Malta during the IDC Meeting that a unit be set up within the UNCTAD secretariat to be the focal point for specific action at the global level in favour of IDCs and to act as a catalyst in that regard, as called for in General Assembly resolution 43/189. Finally, his delegation welcomed the convening of UNCTAD meetings of governmental experts and donors and organizations to review the developments in respect of IDCs.

485. The representative of New Zealand said that the report of the Meeting on IDCs reflected the open and co-operative spirit evident in the growing partnership between donors and IDCs. The Meeting had achieved a forward-looking consensus report incorporating a strategic framework for the future consideration of IDC issues.

486. The South Pacific community was made up largely of IDCs, and the problems facing those countries were well known to New Zealand. However, to the problems listed in the report must be added that of sea level rise associated with climatic change. For many small islands, therefore, sustainable development was now charged with a whole new meaning. In that connection, he endorsed the call of the Secretary-General of the United Nations Conference on Environment and Development for the environment/development relationship to be moved from the level of concept to that of practice, across the whole broad range of economic and policy areas. Addressing issues identified in the report of the Meeting on IDCs was a priority task for UNCTAD, working through or in conjunction with appropriate international agencies and regional organizations.

487. The representative of Australia fully endorsed the statements of the representative of New Zealand and the Chief of the Special Programme for Least Developed, Land-locked and Island Developing Countries, particularly with regard to the concept of sustainable development. A number of IDCs, including some of those in the Asia and Pacific region, were also LDCs, and it was hoped that the idea of partnership emphasized at the Second United Nations Conference on the LDCs would be extended to IDCs as well.

488. The representative of France said that her country's position on the question of the venue of the Meeting and on the substantive issues considered at the Meeting was as reflected in the Meeting's report. With regard to chapter II of the report, the term "strategic framework" should be translated as "cadre stratégique" in the French text.

489. The representative of Haiti said that, although the report of the Meeting on IDCs was excellent, the Meeting had requested the UNCTAD secretariat to undertake an unrealistically large number of studies, not all of which were on topics specific to IDCs. He therefore suggested, with reference to paragraph 52 of the report of the Meeting, that priority should be given to the following studies: a periodic review of sbcio-economic performance of IDCs, highlighting the factors that have led to success and shortcomings; review of appropriate indicators of social and economic progress which take into account not only the level of GNP but also other factors that relate to the high vulnerability of IDCs; policies and measures which might mitigate the impact of natural disasters.

Action by Sessional Committee II

490. At its 5th plenary meeting, on 8 October 1990, Sessional Committee II took note of the report of the Meeting of Governmental Experts of Island Developing Countries and Donor Countries and Organizations (A/CONF.147/5-TD/B/AC.46/4), as well as the comments made thereon.

Action by the Board

491. At the 780th meeting, on 12 October 1990, the Board took note of the report of the Meeting of Governmental Experts of Island Developing Countries and Donor Countries and Organizations (A/CONF.147/5-TD/B/AC.46/4) and decided to transmit the comments made thereon to the General Assembly at its forty-fifth session, at which time, pursuant to Assembly resolution 43/189, the report itself would be before the Assembly.

Chapter VIII

CLOSING STATEMENTS AT THE FIRST PART OF THE THIRTY-SEVENTH SESSION OF THE BOARD

492. The spokesman for the Group of 77 (Senegal), expressing satisfaction that the Board had adopted a number of important decisions and resolutions, said that the session represented another step towards the common goal of giving impetus and life to international economic co-operation.

493. The most important item on the Board's agenda related to interdependence, and the innovative way in which the item had been treated served as an excellent example to be followed in future. The informal consultations on interdependence served to highlight the convergence of views among States and had allowed developing countries to voice their views, preoccupations and expectations in such a way that the international community could become more aware of their needs, interests and hopes. The resolution on interdependence conveyed the fundamental messages which should be addressed to Governments and the specialized agencies with regard to adapting to the new realities.

494. Notable progress had also been made in the areas of greatest concern to the Group of 77. Thus, the resolutions adopted by consensus concerning debt, sustainable development and economic co-operation among developing countries were to be welcomed. They broke new ground, particularly so in the case of sustainable development. UNCTAD's output in this new field was awaited with great interest and it was hoped that the Secretary-General would be successful in his efforts to find additional resources to support this programme.

495. Preparations for UNCTAD VIII were well under way. A draft agenda had been adopted which would make UNCTAD VIII an important occasion on which to reach agreement on the policies and measures necessary for accelerating economic growth in the developing countries and thus contribute to the establishment of a world economy that was healthy, stable and equitable. The eighth session of the Conference would promote understanding, action and co-operation and hence reinforce the role of UNCTAD. The Group of 77 would concentrate its efforts on the realization of these objectives, with intensive preparations culminating in a Ministerial Meeting of the Group of 77 before the eighth session of the Conference, UNCTAD VIII.

496. It was sincerely hoped that a spirit of understanding and political responsibility would continue to mark future meetings, since a new approach was being set in motion to international co-operation in the 1990s. In the face of the events now unfolding, it was essential to unite in the consideration of the challenges and crises ahead, as well as the measures and policies which all countries must take to rekindle development. Economic policies had as their ultimate goal improvement of people's living conditions and their full participation in development, and the most urgent priority was thus to combat world poverty as a prerequisite to protection of the environment and the establishment of sustainable development.

497. Finally, it was the hope of the Group of 77 to give renewed impetus to UNCTAD as an outstanding forum for dialogue, agreement and negotiation in order to elaborate global strategies for shared development in a new realistic and constructive spirit.

498. The spokesman for Group B (Germany) said the Board could look back on its current autumn session with satisfaction. It had successfully completed a large amount of work and achieved remarkable results. It had finally managed to reach agreement on the agenda for UNCTAD VIII and to agree on the text of a forward-looking resolution on the key issue of interdependence. This resolution, as well as that on debt and development problems of developing countries and the decisions on sustainable development and on ECDC, were further signals of the growing convergence of views on crucial issues of common concern. The spirit of co-operation and flexibility, the preparedness to contribute towards achieving a compromise were sometimes tested to the limit but a positive climate had prevailed and Group B shared the satisfaction at the results achieved.

499. The Board had had to assume a heavy workload and had had to work under heavy time pressure.

500. It was perhaps due to this pressure that a passage on the economic consequences of the recent invasion of a United Nations member State by another United Nations member State had not been included in the interdependence resolution similar to the passage in the resolution on debt. Group B was very much aware of the gravity of the economic consequences and the responsibilities vis-à-vis the most seriously affected countries. He referred to Security Council resolution 669 which dealt with the increasing number of requests for assistance under Article 50 of the Charter of the United Nations and the action taken on them, and also to other actions taken at the national and international level.

501. The resolution on interdependence, and for the first time the agenda of an UNCTAD Conference, clearly reflected the new thinking now gaining strength worldwide and in particular in the United Nations system, namely, recognition that economic progress and sustainable development were based on two irreplacable pillars: appropriate domestic policies and a supportive international environment. Yet the negotiations on the agenda and the interdependence resolution had at the same time shown how difficult it was to pave the way for this new thinking towards implementation and practical life.

502. The discussions on ECDC had shown the need to pursue an outward orientation in economic policies also among developing countries.

503. Group B believed the current session to have helped to take a further step towards revitalizing UNCTAD. Only an organization properly prepared to face the tasks of the 1990s would be able to exploit fully its potential for contributing to the achievement of the common goal, namely, a sound world economy, beneficial for all countries and, in particular, an accelerated and sustainable development of developing countries. Group B had had this in mind, when it insisted on addressing all relevant factors in this regard. It is in this spirit that Group B insisted on including domestic policies, in particular good management and governance. Indeed, the need to make maximum and efficient use of scarce resources did not permit loss of any more time in dealing with the real issues, whatever their origin. The results of the session encouraged the belief that UNCTAD had the potential to regain strength and live up to its designation, namely, as the most important international forum for a meaningful dialogue between developed and developing countries. Group B trusted that UNCTAD VIII would be a milestone on this way.

504. The spokesman for Group D (Union of Soviet Socialist Republics) said that the first part of the Board's thirty-seventh session had produced a number of positive results strengthening UNCTAD's mandate. Group D also welcomed the fact that agreement had been reached on the provisional agenda for UNCTAD VIII and hoped that the question of the venue and dates of the Conference would be settled in the near future.

505. The representative of China expressed his delegation's satisfaction that through the joint efforts of all participants, the Board had achieved positive results on all major issues before it at its current session. His delegation was, however, concerned that the outstanding question of the venue and timing of UNCTAD VIII should be resolved. He hoped that further consultations would lead to a consensus in this connection in order to facilitate expeditious preparations for the Conference.

506. The representative of Hungary expressed his delegation's expectation that in future all States members of UNCTAD would be involved in the co-ordination procedures in respect of the various issues of concern to all Governments through the intermediary of their co-ordinator or national delegation, depending on whether or not they were members of a regional group. He was convinced that this would contribute in no small degree to increasing the efficacy of UNCTAD's work.

507. The Secretary-General of UNCTAD said that the strong forward movement that had marked discussions on interdependence at the present session and the success achieved by the Board in consolidating the work of strengthening the Board's review of the complex of issues involved in this area were encouraging. The resolution adopted was the most detailed substantive statement on interdependence since UNCTAD VII. However, he expressed disappointment that - despite the fruitful and in-depth exchange of views on the economic consequences of the present crisis in the Persian Gulf - the Board had been unable to arrive at a consensus on the main issues raised in the secretariat's paper on the subject. Admittedly the resolution adopted by the Board on the debt problem did address an appeal to multilateral financial institutions and donor countries effectively to assist countries adversely affected by the crisis. However, a unique opportunity to generate appropriate signals for dealing comprehensively with a major concern which affected the economies of the majority of countries had thus been missed. The strength of the resolution on debt derived from two considerations. It built on the previous year's resolution and took full account of the wide range of analysis available regarding developments in this area. Work within UNCTAD on the debt issue was now set to continue as a comprehensive exercise and no longer as piecemeal treatment of particular categories of debt. The main feature of the resolution was that it recognized the need for intense viaduction across a wide range of debt-related issues involving all categories of debt and all kinds of debtors. This was particularly encouraging as preparations began for UNCTAD VIII.

508. The resolution on sustainable development was another encouraging feature of the current session. The draft resolutions submitted by Group B and the Group of 77 demonstrated clearly that the concerns and thinking of most countries had begun to converge. The negotiated result showed that the process of integrating and incorporating sustainable development in the work programme of UNCTAD had now been placed on a firm footing. Thus the resolution provided the secretariat with a work programme and set out orientations for further intergovermental work and deliberation.

509. As to the resources necessary to carry out the secretariat's mandate in this area, it was unclear what demands would be placed on the secretariat as the relevant subsidiary bodies of the Board progressively integrated sustainable development in their own work. However every possible effort would be made to respond to the Board's requirements within overall existing resources. He nevertheless hoped that, if the need arose to have recourse to additional resources, extrabudgetary contributions of the requisite magnitude would be forthcoming. As to economic co-operation among developing countries, the study requested by the Board on impediments and disincentives adversely affecting the expansion of trade among developing countries provided an excellent opportunity to identify the possibilities for stronger action to enhance trade among the countries of the South.

510. While agreement on the agenda for UNCTAD VIII would allow the secretariat to begin its substantive preparations for the Conference, he shared the concern that the delays in reaching agreement on the provisional agenda were due partly to a tendency to use the agenda and the related question of the organizational work of the Conference as a vehicle for predetermining its outcome. He recalled that each Conference had its own dynamic and that each participating Government was at liberty to submit any proposal it wished provided it was germane to the agenda.

511. He believed that the current session had registered a significant step forward in the continuing effort to revitalize UNCTAD as envisaged in the Declaration on the twenty-fifth anniversary. The Declaration also indicated the need agreed on by all States to make UNCTAD an increasingly effective instrument of international economic co-operation and development.

Chapter IX

INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

(Agenda item 10)

A. Opening of the session

512. The first part of the thirty-seventh session was opened on 1 October 1990 by Mr. Oscar de Rojas (Venezuela), President of the Board at its thirty-sixth session.

B. Election of officers

(Agenda item 1 (a))

513. At the 773rd (opening) meeting, the Board elected as President of its thirty-seventh session, by acclamation, Mr. Jean-David Levitte (France), who, in accordance with the provisions of Board decision 338 (XXXIII), had been designated by the Board at the second part of its thirty-sixth session.

514. At the same meeting, the Board elected the following other members of its Bureau:

Vice-Presidents:

Mr. Nabil A. ELARABY	(Egypt)
Mr. Werner REICHENBAUM	(Germany)
Mr. Seyed Mojtaba ARASTOU	(Iran, Islamic Republic of)
Mr. Giulio di LORENZO BADIA	(Italy)
Mr. Marcelo VARGAS	(Mexico)
Mr. Emeka Ayo AZIKIWE	(Nigeria)
Mr. Luis GONZALEZ ARIAS	(Paraguay)
Mr. Piotr FREYBERG	(Poland)
Mr. Morris B. ABRAM	(United States of America)
Mr. Yahya Hamoud GEGHMAN	(Yemen)

Rapporteur: Mr. A. N. SYTCHEV (Byelorussian Soviet Socialist Republic)

C. Adoption of the agenda and organization of the work of the session

(Agenda item 1 (b))

515. At the 773rd meeting, the Board adopted the provisional agenda approved at its 772nd meeting (TD/B/1259) with the addition of five sub-items (TD/B/1259/Add.1) under item 9 as approved during pre-sessional consultations (the agenda as adopted is reproduced in annex I below).

516. At the same meeting, the Board endorsed the organizational suggestions approved during pre-sessional consultations (TD/B/1259/Add.2).

D. Establishment of sessional bodies

517. At the 773rd meeting, the Board established two sessional committees, allocating items between them as follows: Sessional Committee I, items 8 (a); 8 (b); and 10 (c); Sessional Committee II, items 6; 7; 9 (a) to 9 (e). All other items would be taken up in plenary.

Sessional Committee I

518. At its 1st meeting, on 1 October 1990, Sessional Committee I elected the following officers to serve on its Bureau:

Chairman: Mr. H. Hamdane (Lebanon)

Vice-Chairman-cum-Rapporteur: Mr. I. Gospodov (Bulgaria).

519. In the course of the session, Sessional Committee I held seven meetings.

520. At its 7th (closing) meeting, on 12 October 1990, the Sessional Committee adopted the draft report on its deliberations (TD/B(XXXVII)/SC.1/L.1 and Add.1), with minor amendments.

Sessional Committee II

521. At its 1st meeting on 1 October 1990, Sessional Committee II elected Mr. T.A. Ogada (Kenya) as its Chairman and Mr. C. Iacovou (Greece) as its Vice-Chairman-cum-Rapporteur.

522. In the course of the first part of the thirty-seventh session of the Board, Sessional Committee II held six plenary meetings.

523. At its 6th (closing) meeting, on 11 October 1990, Sessional Committee II adopted its draft report (TD/B(XXXVII)/SC.2/L.1 and Add.1 and 2) and authorized the Rapporteur to complete the report, as appropriate.

Action by the Board

524. At its 780th meeting, the Board took note of the reports of Sessional Committees I and II and decided to incorporate them into the report on the first part of its thirty-seventh session as appropriate.

E. Membership and attendance 5/

525. The following States members of UNCTAD, members of the Board, were represented at the session: Afghanistan; Algeria; Argentina; Australia; Austria; Bahrain; Bangladesh; Belgium; Bhutan; Bolivia; Brazil; Bulgaria; Burundi; Byelorussian Soviet Socialist Republic; Cameroon; Canada; Chile; China; Colombia; Côte d'Ivoire; Cuba; Czechoslovakia; Democratic People's Republic of Korea; Denmark; Dominican Republic; Ecuador; Egypt; El Salvador; Ethiopia; Finland; France; Germany; Ghana; Greece; Haiti; Honduras; Hungary; India; Indonesia; Iran (Islamic Republic of); Iraq; Ireland; Israel; Italy; Jamaica; Japan; Jordan; Kenya; Kuwait; Lebanon; Libyan Arab Jamahiriya; Luxembourg; Madagascar; Malaysia; Malta; Mauritius; Mexico; Mongolia; Morocco; Myanmar; Namibia; Netherlands; New Zealand; Nicaragua; Nigeria; Norway; Oman;

Panama; Paraguay; Peru; Philippines; Poland; Portugal; Qatar; Republic of Korea; Romania; Sao Tome and Principe; Saudi Arabia; Senegal; Singapore; Somalia; Spain; Sri Lanka; Sudan; Sweden; Switzerland; Syrian Arab Republic; Thailand; Trinidad and Tobago; Tunisia; Turkey; Ukrainian Soviet Socialist Republic; Union of Soviet Socialist Republics; United Arab Emirates; United Kingdom of Great Britain and Northern Ireland; United Republic of Tanzania; United States of America; Uruguay; Venezuela; Viet Nam; Yemen; Yugoslavia; Zimbabwe.

526. The following other States members of UNCTAD, not members of the Board, were represented at the session: Albania; Holy See.

527. Palestine participated pursuant to General Assembly resolution 3237 (XXIX). The Pan Africanist Congress of Azania participated pursuant to General Assembly resolution 3280 (XXIX).

528. The Economic Commission for Europe; Economic Commission for Africa; United Nations Development Programme; United Nations Population Fund; United Nations Conference on Environment and Development were represented at the session. The International Trade Centre UNCTAD-GATT was also represented at the session.

529. The following specialized and related agencies were represented at the session: Food and Agriculture Organization of the United Nations; World Health Organization; World Bank; International Monetary Fund; World Intellectual Property Organization; United Nations Industrial Development Organization. The General Agreement on Tariffs and Trade was also represented at the session.

530. The following intergovernmental organizations were represented at the session: Commonwealth Secretariat; European Economic Community; International Organization for Migration; International Textiles and Clothing Bureau; League of Arab States; Organisation for Economic Co-operation and Development; Organization of African Unity; Permanent Secretariat of the General Treaty on Central American Economic Integration.

531. The following non-governmental organizations were represented at the session: General Category: Friends World Committee for Consultation (Quakers); International Bar Association; International Chamber of Commerce; International Confederation of Free Trade Unions; International Council of Women; World Assembly of Small and Medium Enterprises; World Federation of Trade Unions; World Federation of United Nations Associations. Special Category: International Air Transport Association; International Association of Islamic Banks.

F. Adoption of the report on credentials

(Agenda item 1 (c))

532. At the 780th meeting, on 12 October 1990, the Board adopted the report submitted by the Bureau on the credentials of all representatives attending the session (TD/B/1276).

G. Provisional agenda for the second part of the thirty-seventh regular session of the Board

(Agenda item 1 (d))

533. At the 780th meeting, on 12 October 1990, the Board approved the provisional agenda for the second part of its thirty-seventh session, as contained in TD/B/L.908 (reproduced in annex II). In this connection, the Board endorsed the following understanding, read out by the President, concerning future treatment by the Board of relevant trade issues pertaining to the countries of Eastern Europe:

> "There are a number of resolutions and decisions of both the Conference and the Board requiring that problems pertaining to trade relations among countries having different economic and social systems be considered by the Trade and Development Board in one of its Sessional Committees.
>
> It is recalled that - during the disucssion at the second part of the thirty-sixth session of the Trade and Development Board and consultations at the current session of the Board - a general view emerged that, in the light of policy changes in the countries of Eastern Europe, future consideration of any relevant issues requiring attention should be dealt with in the context of the overall problematique of international trade and economic co-operation. It is therefore the view of member States that a separate Board item on trade relations among countries with different economic and social systems is no longer required.
>
> It is noted that the Secretary-General of UNCTAD is making the necessary adjustments to the work programme and organization of the UNCTAD secretariat and that this will be reflected in due course in the Programme Budget."

534. In accordance with past practice, the Board authorized the Secretary-General of UNCTAD, in consultation with the President, to adjust and complete the provisional agenda in the light of developments. This arrangement was on the understanding that any amendments or additions would be subject to consultations with the representatives of regional groups within the framework of the consultative machinery established by Board decision 143 (XVI) and Board resolution 231 (XXII). The Board also requested the Secretary-General of UNCTAD to consult delegations regarding the organization of work of the session and to circulate his suggestions thereon.

H. Treatment of new States members of UNCTAD for purposes of elections

(Agenda item 10 (a))

535. At its 773rd meeting, the Board noted that, since Democratic Yemen and the Republic of Yemen had merged to form a single State, the membership of UNCTAD had changed from 168 to 167. It further noted that the unification of the Federal Republic of Germany and the German Democratic Republic would bring UNCTAD's membership to 166.

I. Announcement of any changes in the membership of the Board and election to membership of main Committees

(Agenda item 10 (b))

536. At its 773rd meeting, the Board elected the Democratic Republic of Sao Tome and Principe to membership of the Board and its main Committees. Taking account of the merger of Democratic Yemen and the Republic of Yemen to form a single State, the membership of the Board and its main Committees was confirmed as follows: Trade and Development Board - 131; Committee on Commodities - 107; Committee on Manufactures - 101; Committee on Invisibles and Financing related to Trade - 103; Committee on Shipping - 103; Committee on Transfer of Technology - 99; Committee on Economic Co-operation among Developing Countries - 110.

537. The Board took note that the unification of the Federal Republic of Germany and the German Democratic Republic would reduce the membership of the Board and its main Committees by one.

J. Membership of the Working Party on the Medium-term Plan and the Programme budget for 1991

(Agenda item 10 (c))

538. At its 3rd meeting, on 4 October 1990, Sessional Committee I approved the designation of the following countries to membership of the Working Party on the Medium-term Plan and the Programme Budget for 1991:

Argentina
Australia
Brazil
Bulgaria
China
Egypt
Germany
India
Japan
Kenya
Peru
Philippines
Poland
Sweden
Union of Soviet Socialist Republics
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Yugoslavia

Action by the Board

539. At the 780th meeting, on 12 October 1990, the Board confirmed the membership of the Working Party on the Medium-term Plan and the Programme Budget for 1991 as decided by Sessional Committee I.

K. Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board

(Agenda item 10 (d))

540. At its 775th meeting, on 3 October 1990, the President drew attention to a list of 99 intergovernmental bodies designated under rule 76 of the rules of procedure (TD/B/INF/106/Rev.1). In this connection the Board took note that the International Tin Council had ceased to exist as of 31 July 1990.

L. Designation and classification of non-governmental organizations for the purposes of rule 77 of the rules of procedure

(Agenda item 10 (e))

541. Also at its 775th plenary meeting the Board approved the applications by the following three non-governmental organizations for designation under rule 77 of the rules of procedure of the Board and decided, in accordance with the recommendations of the Secretary-General of UNCTAD (TD/B/1274), that they should be classified under the terms of subparagraphs 12 (a) and (b) of Board decision 43 (VII), as follows:

General category:

International Federation of Business and Professional Women (IFBPW)

Special category for UNCTAD organ indicated (other than the Board):

	UNCTAD organ
Caribbean Shipping Association (CSA)	Committee on Shipping
Professional Association of Natural Rubber in Africa (ANRA)	Committee on Commodities

M. Review of the calendar of meetings

(Agenda item 10 (f))

542. At the 780th meeting, on 12 October 1990, the Board approved the calendar of meetings for the remainder of 1990 and took note of the draft calendar of meetings for 1991 and the tentative schedules for 1992 and 1993, on the understanding that these would be finalized in the light of the timing of UNCTAD VIII.

N. Administrative and financial implications of the actions of the Board

(Agenda item 10 (g))

543. No specific statement of administrative and financial implications was submitted to the Board.

O. Other business

(Agenda item 11)

544. No matters were raised under this item.

P. Adoption of the report of the Board

(Agenda item 12)

545. At its 781st meeting, on 17 October 1990, the Board adopted its draft report and authorized the Rapporteur to complete the final version as appropriate. It further authorized the Rapporteur, under the authority of the President, to prepare the Board's report to the General Assembly.

Notes

1/ All texts were adopted without a vote.

2/ For a statement made by the spokeswoman for the Group of 77 (India) on the adoption of this resolution, see chapter II, paragraph 267.

3/ For statements made by the spokesman for Group B (Germany), and the representatives of Bulgaria, Poland and the United States on the adoption of this resolution, see chapter II, paragraphs 273 et seq.

4/ The revised calendar will be circulated in TD/B/INF.179.

5/ For the list of participants, see TD/B/INF.180.

Annex I

AGENDA FOR THE FIRST PART OF THE THIRTY-SEVENTH SESSION OF THE TRADE AND DEVELOPMENT BOARD a/

1. Procedural matters:

   (a) Election of officers;

   (b) Adoption of the agenda and organization of the work of the session;

   (c) Adoption of the report on credentials;

   (d) Provisional agenda for the second part of the thirty-seventh regular session of the Board

2. Follow-up and review of the implementation of the Final Act of UNCTAD VII in accordance with Board decision 350 (XXXIV):

   - Stocktaking of the implementation of the Final Act of UNCTAD VII in preparation for UNCTAD VIII

3. Interdependence of problems of trade, development finance and the international monetary system b/

4. Debt and development problems of developing countries:

   - Including discussion called for in paragraph 2 of General Assembly resolution 44/232, of 22 December 1989, on trends in the transfer of resources to and from the developing countries and their impact on the economic growth and sustained development of those countries

5. Arrangements and preparations for the eighth session of the United Nations Conference on Trade and Development

6. United Nations Programme of Action for African Economic Recovery and Development 1986-1990: initiation of preparations for UNCTAD's intergovernmental input into the final assessment by the General Assembly in 1991

7. Assistance to the Palestinian people (Conference resolutions 146 (VI) of 2 July 1983 and 169 (VII) of 3 August 1987)

8. Other matters in the field of trade and development: c/

   (a) UNCTAD's contribution, within its mandate, to sustainable development (Board decision 370 (XXXV));

   (b) Economic co-operation among developing countries:

      (i) Analyses and proposals for the facilitation of trade expansion among developing countries (para. 4 (f) of resolution 4 (v) of the Committee on Economic Co-operation among Developing Countries);

(ii) Problems of trade financing in developing countries (para. 4 (c) (iii) of resolution 4 (V) of the Committee on Economic Co-operation among Developing Countries);

(c) Export promotion: report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty-third session;

(d) Progressive development of the law of international trade: twenty-third annual report of the United Nations Commission on International Trade Law

9. Other matters requiring action by the Board arising from or related to reports and activities of its subsidiary and other bodies:

(a) Restrictive business practices;

(b) Invisibles and financing related to trade;

(c) Preferences;

(d) Shipping;

(e) Island developing countries

10. Institutional, organizational, administrative and related matters:

(a) Treatment of new States members of UNCTAD for purposes of elections;

(b) Announcement of any changes in the membership of the Board and election to membership of main Committees;

(c) Membership of the Working Party on the Medium-term Plan and the Programme Budget for 1991;

(d) Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board;

(e) Designation and classification of non-governmental organizations for the purposes of rule 77 of the rules of procedure;

(f) Review of the calendar of meetings;

(g) Administrative and financial implications of the actions of the Board

11. Other business

12. Adoption of the report of the Board.

Notes

a/ Adopted by the Board at its 773rd meeting on 1 October 1990.

b/ Pursuant to paragraphs 7 and 8 of General Assembly resolution 44/219 and paragraphs 105 (7) and (8) of the Final Act of UNCTAD VII, and in line with the consensus recorded at the 730th plenary meeting of the Board (second part of the thirty-fourth session), it has been agreed that, in the consideration of item 3 in its entirety, delegations will be free to refer to developments and issues in the Uruguay Round of particular interest to developing countries. It has also been agreed that an informal exchange on this matter will be organized to which the Director General of GATT will be invited.

c/ The inclusion of an item on UNCTAD's contribution to the preparations for the International Development Strategy for the Fourth United Nations Development Decade will depend on the outcome of consultations of the Secretary-General of UNCTAD in accordance with Board decision 373 (XXXVI).

Annex II

PROVISIONAL AGENDA FOR THE SECOND PART OF THE THIRTY-SEVENTH REGULAR SESSION OF THE TRADE AND DEVELOPMENT BOARD

1. Procedural matters:

   (a) Adoption of the agenda and organization of the work of the session;

   (b) Adoption of the report on credentials;

   (c) Provisional agenda for the first part of the thirty-eighth regular session of the Board;

   (d) Provisional agenda for the seventeenth special session of the Board;

   (e) Designation of the President of the thirty-eighth regular session of the Board

2. Protectionism and structural adjustment and, in conjunction therewith, outcome of the Uruguay Round on developments and issues of particular concern to the developing countries, in accordance with paragraph 105 (8) of the Final Act of UNCTAD VII

3. Preparations for the eighth session of the United Nations Conference on Trade and Development

4. United Nations Programme of Action for African Economic Recovery and Development 1986-1990: UNCTAD's intergovernmental input into the General Assembly's final review and appraisal of the implementation of the Programme of Action in 1991

5. Review of progress in the implementation of the Programme of Action of the Second United Nations Conference on the Least Developed Countries:

   - UNCTAD's contribution to the follow-up of the Programme of Action

6. Other matters in the field of trade and development:

   (a) Implementation of the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries (Economic and Social Council resolution 1990/54)

   [to be completed in the light of developments]

7. Other matters requiring action by the Board arising from or related to reports and activities of its subsidiary and other bodies

   [to be completed in the light of developments]

8. *Institutional*, organizational, administrative and related matters:

   (a) Treatment of new States members of UNCTAD for purposes of elections;

(b) Announcement of any changes in the membership of the Board and election to membership of main Committees;

(c) Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board;

(d) Designation and classification of non-governmental organizations for the purposes of rule 77 of the rules of procedure;

(e) Review of the calendar of meetings;

(f) Administrative and financial implications of the actions of the Board

[to be completed in the light of developments]

9. Other business

10. Adoption of the report of the Board.

Annex III

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

Economic consequences of the latest crisis

Draft resolution submitted by Senegal on behalf of the States members of the Group of 77 a/

(TD/B/L.907)

The Trade and Development Board,

Recalling its resolution 374 (XXXVI) on interdependence,

Noting with appreciation the report of the UNCTAD secretariat entitled "Economic consequences of the present crisis: a preliminary assessment" (TD/B/1272),

Expressing concern at the severe impact of this crisis on the world economy generally, with grave consequences for developing countries,

Conscious of the need for a multilateral financial response commensurate with the needs of the countries adversely affected, especially the most severely affected countries, based on economic criteria,

Conscious also of the urgent need for international co-operation in order to reduce the adverse effects of the crisis,

Taking note of the initiatives already under way,

1. Recommends that the United Nations General Assembly, in co-operation with the relevant institutions of the United Nations system, take steps to identify the extent and nature of the adverse impact on the affected countries and consider establishing an emergency programme of compensation and assistance to such countries so as to ensure that sufficient funds are mobilized expeditiously and on appropriate terms;

2. Requests the Secretary-General of UNCTAD to keep the situation under review and report to the Trade and Development Board at the second part of its thirty-seventh session.

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a/ Annexed by decision of the Board at its 781st meeting, on 17 October 1990.

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